DEPARTMENT OF SOCIAL SERVICES

SUMMARY

The Department of Social Services is the single state agency responsible for supervising the delivery of cash grants and social services to needy persons in California. Monthly grant payments are made to eligible recipients through two programs—Aid to Families with Dependent Children (AFDC) and the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program. In addition, welfare recipients, low-income individuals, and persons in need of protection may receive a number of social services such as information and referral, domestic and personal care assistance, and child and adult protective services.

Table 1 identifies *total* expenditures from all funds for programs administered by the Department of Social Services for fiscal years 1979–80 and 1980–81. Total expenditures for 1980–81 are proposed at $5,970,576,604, which is an increase of $970,317,486, or 19.4 percent, over estimated current year expenditures.

Table 1
Department of Social Services Expenditures and Revenues by Program
All Funds
1979–80 and 1980–81

Budget Item	*Program*	*Estimated 1979–80*	*Proposed 1980–81*	*Change Amount*	*Change Percent*
309	Department support	$106,331,313	$114,252,730	$7,921,417	7.4%
Control Section					
32.5	AFDC cash grants	2,106,081,700	2,585,469,700	479,388,000	22.8
310	SSI/SSP cash grants	1,789,952,500	2,103,276,700	313,324,200	17.5
311	Special adult programs	39,535,300	73,771,000	34,235,700	86.6
312	Special social services programs	551,103,962	658,490,874	107,386,912	19.5
	In-home supportive services	(212,944,100)	(249,475,500)	(36,531,400)	(17.2)
313	County welfare department administration	407,254,343	435,315,600	28,061,257	6.9
314	Local mandates	(7,261,900)	(7,930,200)	(668,300)	(9.2)
	Totals	$5,000,259,118	$5,970,576,604	$970,317,486	19.4%
	General Fund	*2,378,668,388*	*2,858,299,789*	*479,631,401*	*20.2*
	Federal funds	*2,377,233,561*	*2,838,235,305*	*461,001,744*	*19.4*
	County funds[a]	*230,018,862*	*255,032,436*	*25,013,574*	*10.9*
	Reimbursements	*14,338,307*	*19,009,074*	*4,670,767*	*32.6*

[a] Net county expenditures after adjusting for local fiscal relief provided by Chapter 282, Statutes of 1979 (AB 8).

Table 2 shows the *General Fund* expenditures for cash grant and social services programs administered by the Department of Social Services. The department requests a total of $2,858,299,789 from the General Fund for 1980–81. This is an increase of $479,631,401 or 20.2 percent, over estimated current year expenditures.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 2
Department of Social Services
General Fund Expenditure
1979–80 and 1980–81

Budget Item	*Program*	*Estimated 1979–80*	*Proposed 1980–81*	*Change Amount*	*Change Percent*
309	Department support	$40,545,191	$43,938,948	$3,393,757	8.4%
Control Section					
32.5	AFDC cash grants	986,941,900	1,195,372,200	208,430,300	21.1
310	SSI/SSP cash grants	1,087,876,000	1,310,291,600	222,415,600	20.4
311	Special adult programs	3,708,700	4,196,000	487,300	13.1
312	Special social service programs	156,936,886	195,424,741	38,487,855	24.5
	In-home supportive services	(117,077,943)	(149,424,493)	(32,346,550)	(27.6)
313	County welfare department administration	95,397,811	101,146,100	5,748,289	6.0
314	Local mandates	7,261,900	7,930,200	668,300	9.2
	Totals	$2,378,668,388	$2,858,299,789	$479,631,401	20.2%

Health and Welfare Agency
DEPARTMENT OF SOCIAL SERVICES

Item 309 from the General Fund — Budget p. HW 145

Requested 1980–81	$43,938,948
Estimated 1979–80	40,545,191
Actual 1978–79	25,658,951
Requested increase (excluding amount for salary increases) $3,393,757 (+8.4 percent)	
Total recommended reduction	$924,809

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *County Training Funds. Reduce by $18,018.* Recommend reduction of $18,018 from the General Fund and $54,054 from federal funds to reflect actual expenditure pattern for county training. — 853
2. *Facilities Operations. Reduce by $27,250.* Recommend reduction ($24,978 General Fund, $31,314 federal funds and $2,272 reimbursements) to eliminate overbudgeting for price increases for facilities operations. — 854
3. *Data Processing Services. Reduce by $38,109.* Recommend deletion of funds ($37,206 General Fund, $26,891 federal funds and $903 reimbursements) budgeted for rate increases of Health and Welfare Agency Consolidated Data Center. — 854
4. *Fair Hearing Officers. Reduce by $139,175.* Recommend — 855

reduction of $139,175 from the General Fund and $97,518 from federal funds by deleting six fair hearing officer positions. Further recommend workload standard evaluation by the Department of Finance.

5. *Affirmative Action—Temporary Help Positions. Reduce by $135,529.* Recommend reduction of $135,529 from the General Fund and $135,528 from federal funds by eliminating temporary help funding for affirmative action recruiting. 857
6. *Special Consultants. Reduce by $51,036.* Recommend reduction of $50,869 General Fund, $25,322 federal funds and $167 reimbursements by eliminating temporary help funding for special consultants. Further recommend control language requiring Department of Finance approval of special consultants. 861
7. *Centralized Delivery System. Reduce by $398,207.* 863
   Recommend:
   a. Control language requiring that department's feasibility study identify the total state and local resources required and schedule of events necessary to complete the system. 866
   b. Control language requiring funds for undefined positions not be expended until specified approvals have been obtained and that any funds not expended for approved budgeted positions revert. 866
   c. Reduction of $398,207 from the General Fund and $398,206 from federal funds by eliminating funds for data processing. 867
   d. Funds budgeted for the system be scheduled in a separate item. 867
8. *Child Support Enforcement Program. Augment by $13,008.* Recommend augmentation of $13,008 from the General Fund and $19,513 from federal funds by adding 1.5 positions to the 4.5 positions requested for county child support collection activities. Further recommend these six positions be limited to June 30, 1982. 868
9. *Public Inquiry and Response Positions. Reduce by $38,402.* Recommend deletion of two proposed positions, for a General Fund savings of $30,247 and a reduction of $9,600 in federal funds and $8,155 in reimbursements. 869
10. Title XX Training Positions. Recommend two management positions requested for Title XX training be limited to June 30, 1982. Further recommend report on progress toward achievement of management goals by December 15, 1981. 870
11. *Family and Children's Services Positions. Reduce by $92,091.* Recommend reduction of $92,091 from the General Fund by deleting three positions proposed to develop regulations for family and children's services programs. 871

DEPARTMENT OF SOCIAL SERVICES—Continued

12. Indochinese Refugee Assistance Program Positions. Recommend department submit plan for centralized program coordination prior to budget hearings. 873
13. Community Care Licensing Positions. Withhold recommendation on the establishment of 55 new positions pending receipt of department's workload standard methodology. 874
14. Control Section 32.5—AFDC Cost of Living. Recommend enactment of legislation providing cost-of-living adjustment to AFDC grants through the annual budget process rather than automatically through statute. 880

GENERAL PROGRAM STATEMENT

Chapter 1252, Statutes of 1977 (SB 363), created a new Department of Social Services, effective July 1, 1978. The new department retained the welfare operations function of the former Department of Benefit Payments, and assumed responsibility for the disability evaluation, community care licensing and social services functions of the former Department of Health. Departmental functions are carried out through eight divisions. Chart 1 shows the current organization of the department by division. Each division is divided into various branches and bureaus.

Legal Affairs Division

The Legal Affairs Division consists of the Office of the Chief Counsel and the Office of the Chief Referee. The Office of the Chief Counsel provides legal advice to departmental managers and support to the Attorney General in litigating cases affecting the department. The Office of Chief Referee is responsible for conducting administrative hearings to determine the fairness of decisions made by county welfare department personnel in handling welfare cases.

Administration Division

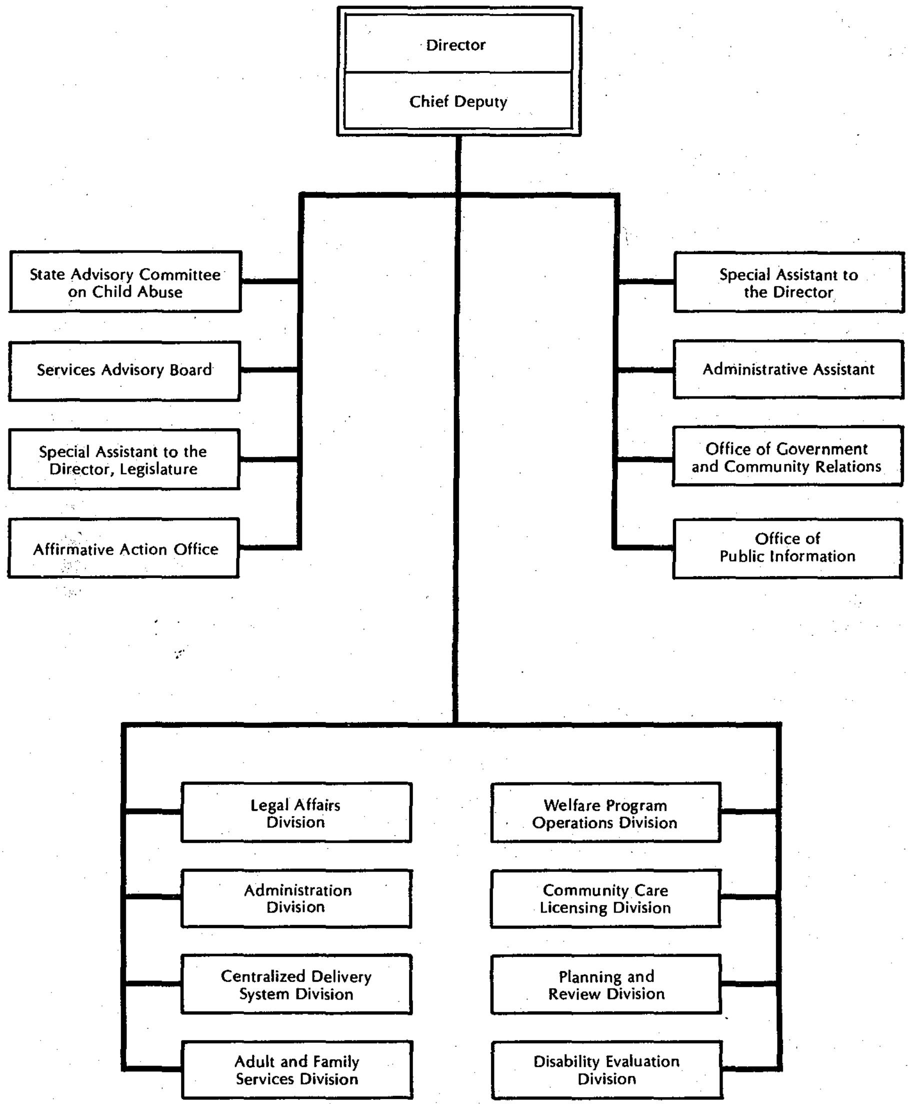
The Administration Division has responsibility for providing all support functions for the Department of Social Services. The functions include (1) processing personnel transactions, (2) providing space and centralized typing services, (3) managing the accounting and budgeting systems of the department, (4) collecting and analyzing data regarding the programs administered by the department, and (5) developing estimates of the projected costs and caseloads of the cash assistance and social services programs.

Centralized Delivery System

This division is responsible for definition, design, development and implementation of an automated system for delivering financial assistance and services to welfare recipients in California. The division was established in response to Chapter 282, Statutes of 1979 (AB 8), which requires the department to implement a centralized delivery system for welfare benefits in California by July 1, 1984.

Chart 1

Department of Social Services Organization Chart



DEPARTMENT OF SOCIAL SERVICES—Continued

Adult and Family Services Division

The Adult and Family Services Division is responsible for managing and administering social services programs including in-home supportive services, other county social services, child welfare services and the state adoptions program. The division consists of five branches: (1) Family and Children's Services, (2) Adult Services, (3) Adoptions, (4) Systems and Policy and (5) AB 1642 Implementation. It plans, organizes and directs the operation of statewide social services programs delivered through county welfare departments, private agencies under contract, and other state departments. In addition, the division performs direct adoptions casework through three district offices.

Welfare Program Operations

The Welfare Program Operations Division has overall responsibility for the management of payment programs which provide financial assistance to needy individuals. The division consists of four branches. The AFDC Program Management Branch provides policy direction and interpretation to county welfare departments in administering the payment of grants under the AFDC program. The Adult Program Management Branch provides liaison with the Social Security Administration which administers the State Supplementary Payment (SSP) program. This branch also provides policy direction to the counties in the administration of various special adult programs including Emergency Loan and Special Circumstances, Aid to the Potentially Self-Supporting Blind, and the Guide Dog Special Allowance. The Food Stamp Program Management Branch supervises the county administration of the federal Food Stamp program. The Child Support Program branch develops statewide policies and procedures for collecting child support from absent welfare and nonwelfare parents.

Community Care Licensing Division

The Community Care Licensing Division (1) supports the facilities evaluation activities of county licensing agencies through the development of regulations, the collection of statewide data and the investigation of complaints and (2) directly licenses community care facilities in counties where the county welfare department has chosen not to contract with the state for this purpose. The division is organized into three branches to carry out these responsibilities: (1) Field Operations, (2) Client Protection Services, and (3) Policy and Administrative Support. The Field Operations Branch and Client Protective Services Branch maintain district offices throughout the state.

Planning and Review Division

The Planning and Review Division (1) monitors the progress of demonstration projects under the authority of the Department of Social Services, (2) responds to public inquiries regarding cash assistance and social services programs, (3) conducts studies of the personnel and financial management practices of the department, (4) evaluates the efficiency, equity and effectiveness of programs carried out by the 58 county welfare departments, and (5) develops error rate estimates in the determination of eligibility and level of payment to clients of the cash assistance and In-Home Supportive Services programs.

Disability Evaluation Division

The Disability Evaluation Division is responsible for determining the medical eligibility of California residents for benefits under the disability insurance, supplemental security income, and medically needy programs of the Social Security Act. There are six regional offices throughout the state responsible for processing disability claims.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of $43,938,948 for support of the Department of Social Services in 1980–81, which is an increase of $3,393,757, or 8.4 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget for the department proposes total expenditures from all funds of $114,252,730, which is an increase of $7,921,417, or 7.5 percent, over the estimated 1979–80 expenditures. Table 1 shows total expenditures, by division.

Proposed General Fund Budget Changes

Table 2 details the changes in the department's proposed General Fund expenditures for 1980–81. This table shows that expenditures in the budget year will increase by $3,393,757 over the current year. Included in the increased costs for existing programs is $1,482,630 for additional employee benefits (exclusive of salary increases) and $555,306 for a 7 percent increase in operating expenses and equipment. These costs are partially offset by reductions totaling $4,800,943. These reductions reflect the fact that certain one-time expenditures in the current year will not occur in the budget year. Table 2 also shows that budget change proposals to expand existing programs or to add new programs in 1980–81 will increase departmental expenditures by $5,870,746.

Proposed New Positions

The department is proposing a total of 340.2 new positions for 1980–81, as shown in Table 3. Three budget requests account for almost two-thirds of the proposed new positions. The single largest request is for 132 positions for a centralized welfare delivery system required by Chapter 282, Statutes of 1979 (AB 8). The department also is requesting 64.1 positions for the disability evaluation division due to projected increases in workload. In addition, the department is proposing 48 new positions to inspect and license community care facilities. The remaining 96.1 positions requested by the department are proposed for functions in the divisions for administration, adult and family services, welfare program operations and planning and review.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 1
Summary of the Department of Social Services Support Budget
1979–80 and 1980–81

Funding	*Estimated 1979–80*	*Proposed 1980–81*	*Change Amount*	*Change Percent*
General Fund	$40,545,191	$43,938,948	$3,393,757	8.4%
Federal funds	63,080,240	66,231,866	3,151,626	5.0
Reimbursements	2,705,882	4,081,916	1,376,034	50.9
Totals	106,331,313	114,252,730	7,921,417	7.5%
Division				
Administration	18,403,260	19,580,305	1,177,045	6.4%
Personnel-years [a]	506.1	521.2	15.1	3.0
Legal affairs	5,591,035	5,751,597	160,562	2.9
Personnel-years	142.1	145.3	3.2	2.3
Adult and family services	8,423,038	8,853,543	430,505	5.1
Personnel-years	236.1	254.0	17.9	7.6
Welfare program operations	7,182,466	8,448,055	1,265,589	17.6
Personnel-years	150.4	156.7	6.3	4.2
Community care licensing	7,229,806	8,580,166	1,350,360	18.7
Personnel-years	243.9	283.1	39.2	16.1
Planning and review	7,601,797	8,366,582	764,785	10.1
Personnel-years	235.1	253.6	18.5	7.9
Disability evaluation	43,421,422	44,995,787	1,574,365	3.6
Personnel-years	1,239.6	1,297.8	58.2	4.7
Data processing bureau	2,874,531	2,965,346	90,815	3.2
Personnel-years	64.5	66.2	1.7	2.6
Centralized delivery system [b]	1,469,356	4,546,638	3,077,282	209.4
Personnel-years	61.3	104.4	43.1	70.3
Executive	4,134,602	2,164,711	−1,969,891	−47.6
Personnel-years	67.4	62.3	−5.1	−7.6
Office of Government and Community Relations [c]	(2,599,844)	(712,190)	(−1,887,654)	−72.6
Personnel-years	(23.2)	(17.0)	(−6.2)	−26.7
Affirmative Action Office	(681,086)	(736,002)	(54,916)	8.1
Personnel-years	(28.0)	(28.6)	(0.6)	2.1
Office of Public Information	(105,216)	(97,412)	(−7,804)	−7.4
Personnel-years	(2.8)	(2.9)	(0.1)	3.6
Services Advisory Board	(76,323)	(86,588)	(10,265)	13.4
Personnel-years	(1.9)	(2.0)	(0.1)	5.3
Special assistant Legislature	(76,202)	(86,701)	(10,499)	13.8
Personnel years	(1.9)	(2.0)	(0.1)	5.3
Special assistant to the director, southern region	(67,994)	(75,765)	(7,771)	11.4
Personnel-years	(1.9)	(2.0)	(0.1)	5.3
Administrative assistant	(35,781)	(43,294)	(7,513)	21.0
Personnel-years	(0.9)	(1.0)	(0.1)	11.1
Director and chief deputy [d]	(492,156)	(362,759)	(−165,397)	−33.6
Personnel-years	(6.8)	(6.8)	(0)	0
Totals	$106,331,313	$114,252,730	$7,921,417	7.5%
Personnel-years	2,946.5	3,144.6	198.1	6.7%

[a] Personnel-years do not equate with authorized positions due to vacancies.
[b] The personnel-years shown here reflect only project staff for the Centralized Delivery System. Program staff for CDS are disbursed among the other divisions of the department.
[c] Expenditures for the Office of Government and Community Relations in 1979–80 include $1,926,000 for disaster relief pursuant to Chapter 848, statutes of 1979.
[d] 1979–80 expenditures for the directorate include $143,000 for direct contracts, including the Kepner-Tregoe training project.

Table 2
Proposed General Fund Adjustments for the Department of Social Services Support Budget

	Cost	Total
1. 1979–80 Current Year Revised Expenditures		$40,545,191
2. Baseline Adjustments for Existing Programs		
A. Increase in Existing Personnel Costs		
1. Merit salary adjustments	$463,844	
2. OASDI	146,549	
3. Retirement	89,574	
4. Workers' compensation	1,206	
5. Restore 27.2 reduction	781,457	
Total		$1,482,630
B. Onetime Expenditures		
1. 1978–79 disaster relief	$–1,926,000	
2. Disaster relief—ongoing	–703,050	
3. Reduction of operating expenses and equipment by amount transferred from IHSS provider benefits	–786,200	
4. Chapter 282, Statutes of 1979 (AB 8)	–1,356,221	
5. Limited term position related to *Youakim v. Miller*	–16,628	
6. Onetime salary bonus increase	–4,344	
7. Chapter 1069, Statutes of 1979 (AB 1368) transfer	–8,500	
Total		$–4,800,943
C. Program Funding Shifts		
1. Increased General Fund costs due to expiration of federal funds for child support administrative activities	$416,170	
2. Child support—transfer of Attorney General reimbursements	102,130	
3. Systems review funding transfer	–33,332	
4. Attorney's fees transfer from Item 283	1,050	
5. Rape victim counseling centers transfer to Item 312	–200,000	
Total		$286,018
D. Seven Percent Price Increase on Operating Expenses and Equipment		$555,306
Total, Baseline Adjustments		($–2,476,989)
3. Program Change Proposals for 1980–81		
A. Centralized delivery system	$2,576,028	
B. Simplified referral system	913,727	
C. Community care licensing—field operations	1,210,685	
D. Other	1,170,306	
Total Program Change Proposals		$5,870,746
4. Total General Fund change proposed for 1980–81		($3,393,757)
5. Total General Fund, Item 309		$43,938,948

Workload and Administrative Adjustments

The department has transferred the computer services branch consisting of 68.5 positions from the administrative division to the centralized delivery system project, as shown in Table 3. These positions will not work directly on the centralized delivery system project, but will perform the ongoing EDP functions of the department. In addition, the department proposes to eliminate two auditor positions in the Office of Life Care Contracts. These positions were supported by federal funds from Title II of the Public Works Employment Act, which will not be available after 1979–80.

Table 3
Department of Social Services
Proposed Position Changes for 1980–81

Division	*Existing Positions*	*Workload and Administrative Adjustments*	*Requested Positions*	*Total Positions*	*Fiscal Effect of Requested Positions* General Fund	*Federal Funds*	*Reimbursements*	*Totals*
Director's office	23.0	—	—	23.0	—	—	—	—
Government and community relations	19.5	—	—	19.5	—	—	—	—
Welfare program operations	125.3	—	15.5	140.8	$136,693	$211,669	—	$348,362
Legal affairs	144.0	—	—	144.0	—	—	—	—
Adult and family services	249.0	—	17.0	266.0	340,724	138,886	—	479,610
Administration	585.0	−68.5	21.2	537.7	87,918	366,296	—	454,214
Community care licensing	242.6	—	55.0	297.6	1,399,108	—	—	1,399,108
Planning and review	230.0	−2	34.5	262.5	405,643	454,425	$13,125	873,197
Disability evaluation	1,276.0	—	64.1	1,340.1	913,727	−540,650	1,435,186	1,808,263
Centralized delivery system	—	+68.5	132.9	201.4	2,586,933	2,389,571	—	4,976,504
Project staff	—	—	(105.0)	(105.0)	(2,068,282)	(2,068,280)	—	(4,136,562)
Program staff	—	—	(27.0)	(27.0)	(507,746)	(310,386)	—	(818,132)
Data Processing	—	(+68.5)	(0.9)	(69.4)	(10,905)	(10,905)	—	(21,810)
Temporary Help	73.4	—	—	73.4	—	—	—	—
Totals	2,967.8	−2	340.2	3,306.0	$5,870,746	$3,020,201	$1,448,311	$10,339,258

Control Section 27.2, 1979 Budget Act Reductions

Control Section 27.2 of the 1979 Budget Act requires the Department of Finance to limit expenditures for personal services in order to achieve a specified funding reduction. Chapter 1035, Statutes of 1979 (SB 186), modified Control Section 27.2 by requiring that the reduction in costs for personal services be made on a one-time basis through increased salary savings. Pursuant to these provisions, the department's salary savings were increased by $781,457 from the General Fund in the 1979–80 budget. The department indicates that the increased salary savings will be achieved by delaying departmental hiring in unspecified areas. The budget includes funds to restore support for these positions in the budget year.

IMPACT OF RECENT LEGISLATION

Financing of Specified County Welfare Costs

Chapter 282, Statutes of 1979 (AB 8), provides for a long-term program of fiscal relief to local governments to mitigate the loss of property tax revenues resulting from the passage of Proposition 13. The act provides for annual state funding of county costs for specified welfare programs effective with the 1979–80 fiscal year.

Table 4 shows that the state costs of the welfare provisions of AB 8 are estimated at $517.3 million for 1979–80 and $606.7 million for 1980–81. The budget year amount is $89.4 million, or 17.3 percent, above the current year costs.

Table 4
State Costs for the Welfare Provisions of Chapter 282
Statutes of 1979 (AB 8)
(in millions)

Program	*Estimated 1979–80*	*Proposed 1980–81*
SSI/SSP grants	$206.9	$234.2
AFDC		
Family group and unemployed parent grants	209.7	254.4
Foster care grants	83.7	100.8
Aid to adoption of children	0.9	1.0
Special needs	0.5	0.5
Administration	N/A [a]	N/A [a]
Staff training	1.0	0.9
Food stamp administration	—	—
Child support enforcement program		
Administration	11.8	12.9
Incentive payments to counties	2.1	1.1
Work incentive program	0.1	0.2
Aid to the potentially self-supporting blind program—		
Administration	0.04	0.05
Family protection pilot projects	0.6	0.6
Totals	$517.34	$606.65

[a] Chapter 282 did not provide for state assumption of county costs for administering the AFDC Program.

DEPARTMENT OF SOCIAL SERVICES—Continued

The following discussion compares the provisions of AB 8 with Chapter 292, Statutes of 1978 (SB 154), which provided fiscal relief during 1978–79.

1. *Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program.* This program provides cash grants to eligible aged, blind and disabled individuals. Historically, the federal government has paid the cost of the SSI grant, and the state and counties have shared the cost of the SSP grant. The county share was set by statute at $118 million for fiscal year 1974–75, and was increased annually thereafter by the percentage increases in the assessed valuation of property.

Chart 2 shows the expenditure of funds by level of government for the SSI/SSP program from 1977–78 through 1980–81. In 1977–78, the federal government paid $587.1 million (39.9 percent), the state contributed $721.1 million (48.9 percent), and the counties contributed $165.4 million (11.2 percent). In response to the passage of Proposition 13, the state assumed the county share of costs—estimated at $181.8 million—for 1978–79 through enactment of SB 154, bringing the state share to 58.1 percent.

AB 8 requires the state to continue to finance the county share of costs for this program beyond 1978–79. This provision will increase state costs by $206.9 million in 1979–80 and $234.2 million in 1980–81 as shown in Chart 2.

2. *Aid to Families with Dependent Children program—Grants for Family Group and Unemployed (AFDC-FG and U).* The AFDC program provides cash grants to children and their parents or guardians whose income is insufficient to meet their basic needs. Prior to 1978–79, the federal government paid 50 percent of the grant costs, the state paid 33.75 percent and the counties paid 16.25 percent. In 1977–78, the federal government paid $853.7 million, the state paid $623.2 million, and the counties paid $226.3 million, as shown in Chart 3.

After passage of Proposition 13, the state assumed the entire county share of costs for this program for 1978–79, as a result of the enactment of SB 154. This change increased state costs by $260.4 million.

Beginning with the current year, the federal government will pay 50 percent of costs, the state will pay 44.6 percent and the counties will pay 5.4 percent, as a result of the enactment of AB 8. This act will result in additional state costs of $209.7 million in 1979–80, and $254.4 million in 1980–81, as shown in Chart 3.

3. *Aid to Families with Dependent Children—Grants for Foster Care.* The AFDC Foster Care program provides cash grants to eligible children residing in foster care homes and institutions. Prior to 1978–79, the counties paid the major share—approximately 77 percent—of the nonfederal costs for this program. During 1978–79, the state assumed 95 percent of the nonfederal costs due to the enactment of SB 154. As a result, state costs for this program increased by $78.6 million, as shown in Chart 4.

AB 8 requires the state to continue to pay 95 percent of the nonfederal share of program costs until January 1, 1984. Chart 4 shows that the additional state costs resulting from this provision are $83.7 million in 1979–80 and $100.8 million in 1980–81.

Chart 2
Expenditures for the SSI/SSP Program 1977–78 to 1980–81 (in millions)

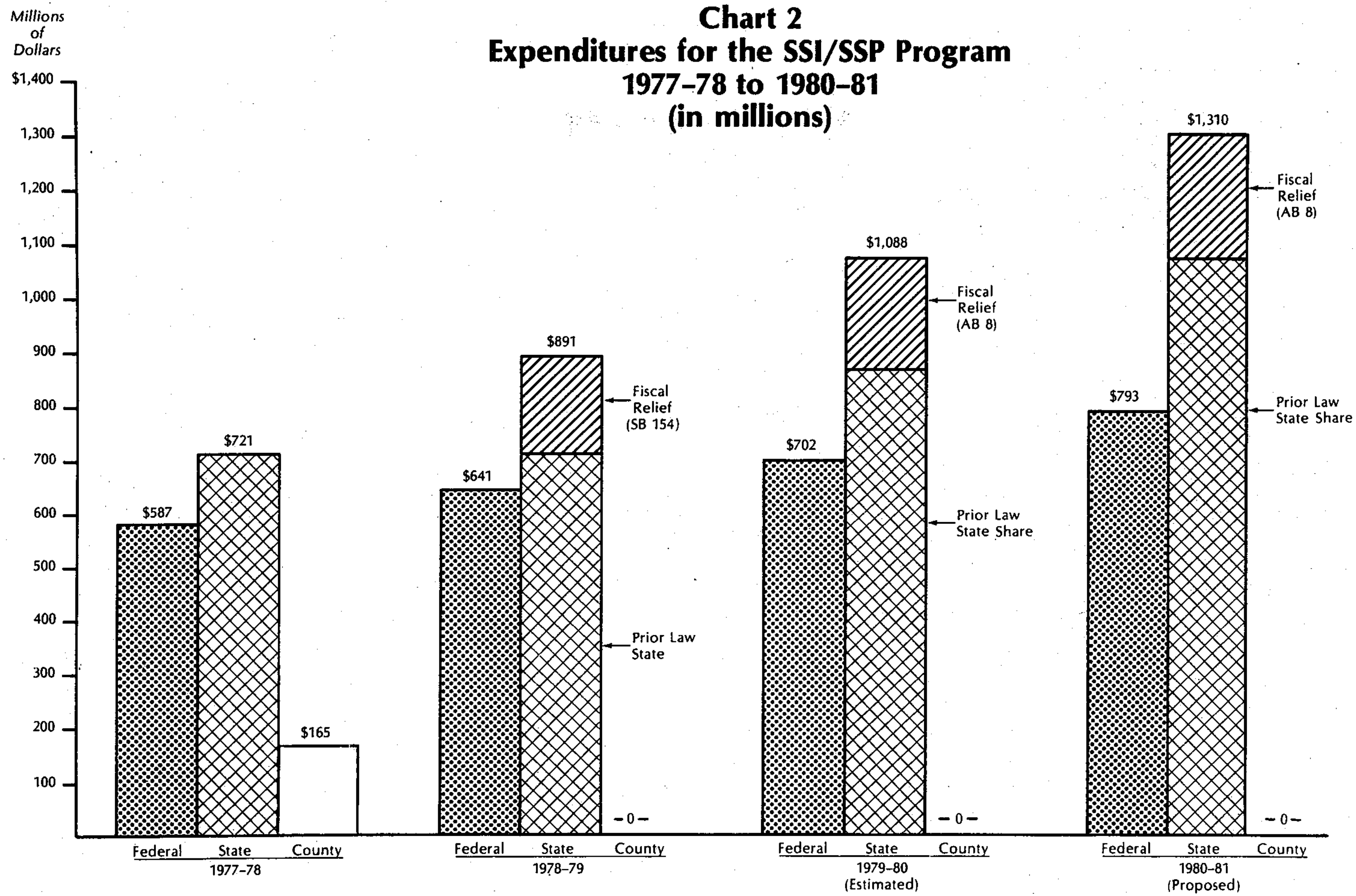
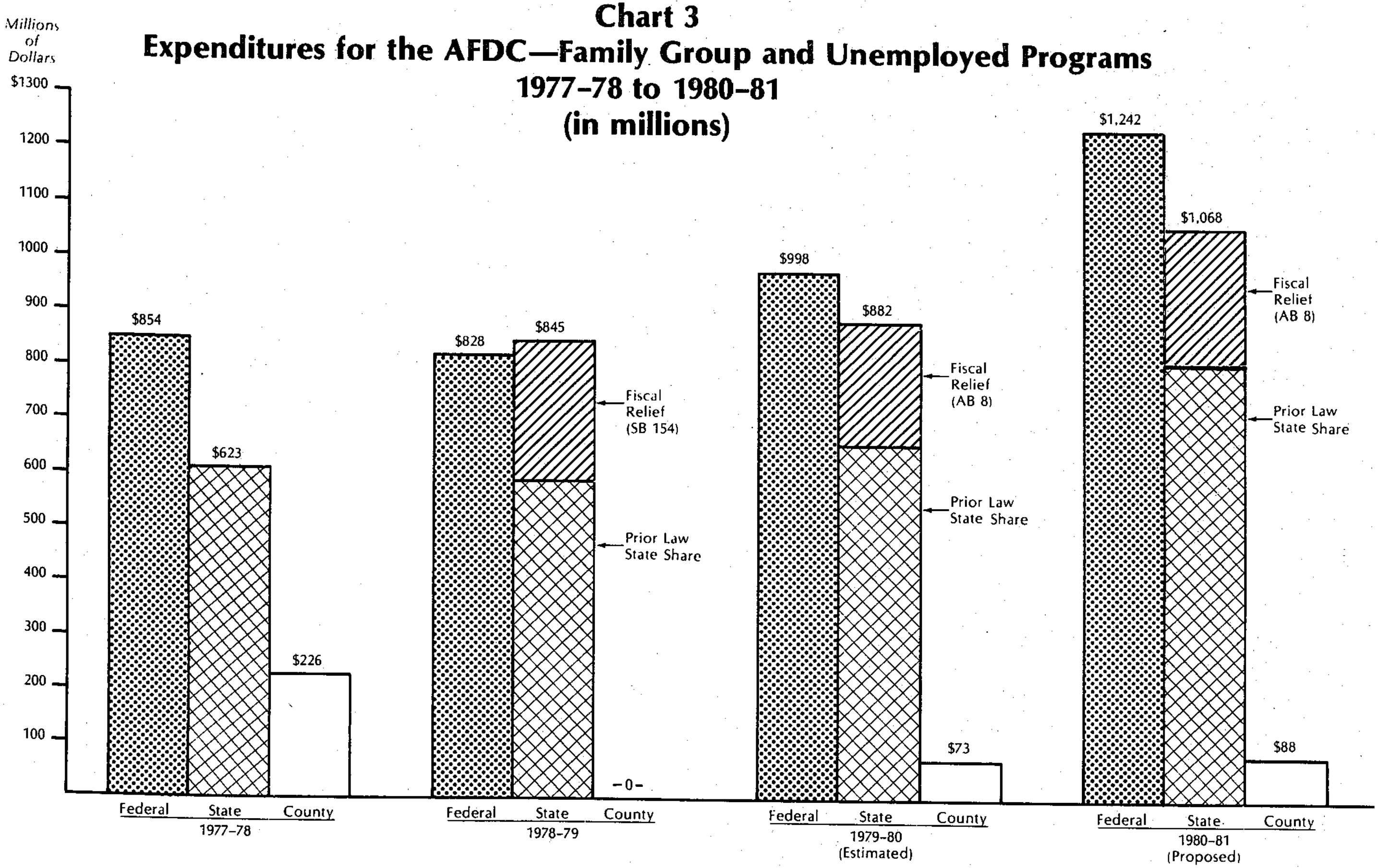


Chart 3
Expenditures for the AFDC—Family Group and Unemployed Programs
1977–78 to 1980–81
(in millions)



AB 8 contained several other provisions affecting the AFDC Foster Care program:

(a) Beginning July 1, 1979, no county shall be reimbursed for any rate increases granted boarding homes and institutions which exceed the percentage cost-of-living increase granted to AFDC-FG and U recipients. AFDC-FG and U recipients received a 15.16 percent cost-of-living increase in 1979–80. Existing law requires a 14.65 percent cost-of-living increase for 1980–81.

(b) The Department of Social Services is required to submit performance standards for the AFDC Foster Care program to the Joint Legislative Budget Committee by January 1, 1981 for review and comment. The department is required to adopt performance standards by regulation, by April 15, 1981, and to hold counties liable for not meeting such standards.

(c) In addition, the department is required to develop a management information and quality control system for the Foster Care program and make recommendations for establishing program payment levels.

4. *Aid to Adoption of Children (AAC) Program.* The AAC program waives the adoption fees for certain hard-to-place children and provides a monthly payment equal to the amount that would have been paid if the child had been placed in a foster home instead of being adopted. Prior to 1979–80, the state paid the first $81 of the monthly payment and the counties financed the remainder. As a result of AB 8, the state pays the county cost of this program. The additional cost of this provision to the state is $918,200 in 1979–80 and $1.0 million in 1980–81.

5. *AFDC—Special Needs.* Prior to 1979–80, the federal and county governments each paid 50 percent of the costs for special need payments to AFDC recipients. The payments cover the costs for such items as special diets, laundry, housekeeping services, telephone and utilities. As a result of AB 8, the state pays 44.6 percent of costs and the county pays 5.4 percent. State costs are estimated to increase by $478,900 in 1979–80 and $503,500 in 1980–81.

6. *AFDC—Administration.* Counties administer the AFDC program under the direction of the Department of Social Services. The costs of administering the program are shared by the three levels of government, with the federal government paying 50 percent, and the state and counties paying 25 percent each. Passage of SB 154 resulted in the state assuming the county share of costs—$53.4 million—for 1978–79.

AB 8 provides that the nonfederal cost sharing ratios will return to what they were prior to 1978–79. Total 1979–80 administrative costs are estimated at $251.4 million. Of this amount, the federal government will pay $126.0 million and the state and counties will each pay $62.7 million, as shown in Chart 5. Total 1980–81 administrative costs for the AFDC program are proposed at $277.8 million.

7. *AFDC Administration—Staff Development.* Historically, the federal and county governments have shared the costs of training eligibility workers. The federal government paid 75 percent of costs and the counties paid 25 percent. As a result of AB 8, the state assumed half the county costs for staff training. This will increase state costs by $964,811 in 1979–80 and $915,800 in 1980–81.

8. *Aid to the Potentially Self-Supporting Blind (APSB) Program—Administration.* Prior to 1979–80, the state and counties equally shared the

Chart 4
Expenditures for the AFDC—Foster Care Program
1977-78 to 1980-81
(in millions)

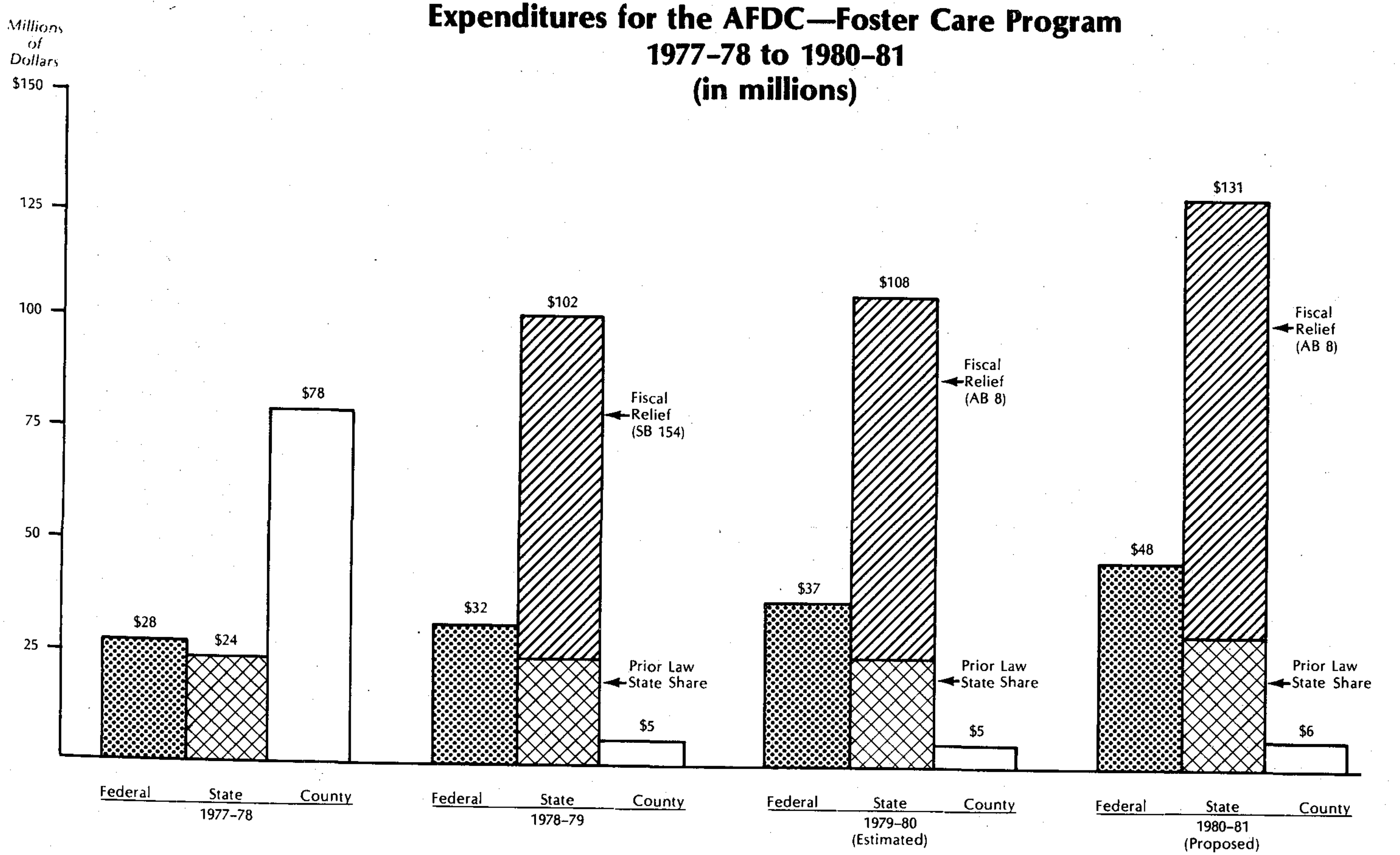
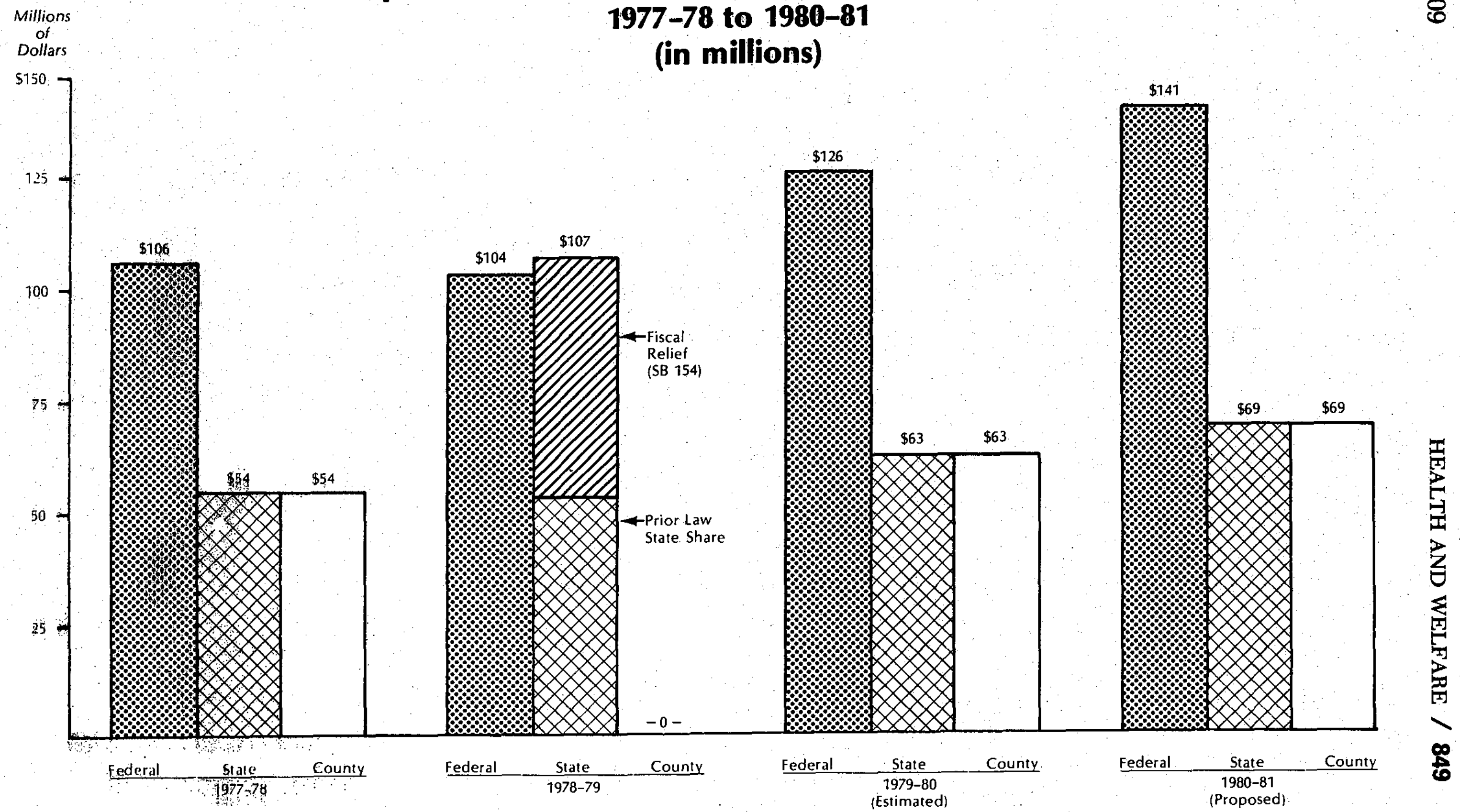


Chart 5
Expenditures for Administration of the AFDC Program
1977-78 to 1980-81
(in millions)



DEPARTMENT OF SOCIAL SERVICES—Continued

administrative costs of the APSB program, a special state program designed to encourage blind recipients to become self-supporting. As a result of AB 8, the state share of costs for this program increased from 50 to 83.3 percent, and county costs were reduced from 50 to 16.7 percent. Because of this provision, state costs will increase by $41,900 in 1979–80 and $45,700 in 1980–81.

9. *Food Stamp Administration.* The Food Stamp program permits eligible low-income families to obtain food stamps in order to increase their food buying power. Historically, the federal, state and county governments have shared the costs of administering the Food Stamp program. The federal government paid 50 percent of costs, county costs were capped at $21.5 million annually and the state paid the balance. For 1978–79, the state assumed the county share of administrative costs pursuant to SB 154. For 1979–80 and beyond, AB 8 eliminates the cap on county expenditures and requires the counties to pay 50 percent of the nonfederal share of costs. This provision will not result in additional costs to the state in 1979–80 or 1980–81.

10. *Child Support Enforcement Program—Administration.* The purpose of this program is to locate and obtain child support payments from absent welfare and nonwelfare parents. Prior to 1978–79, the federal government financed 75 percent of the administrative costs and the counties paid the remaining 25 percent. In 1978–79, the state paid the county share of administrative costs for this program as a result of SB 154. Beginning with 1979–80 the state will pay 75 percent of the costs of collecting child support from *nonwelfare* parents, if federal funds are not available for such purposes. This provision will increase state costs by $11.8 million in 1979–80 and $12.9 million in 1980–81. The counties will continue to pay 25 percent of administrative costs for collecting child support from *welfare* parents.

11. *Child Support Enforcement Program—Incentive Payments.* The Child Support Enforcement program provides incentive payments to counties for collecting child support from absent parents. Prior to 1979–80, the payments totaled 27.75 percent of collections, with the federal government paying 15 percent and the state providing 12.75 percent. AB 8 increased the state incentive payment to 15 percent until December 31, 1980 at which time it will revert to 12.75 percent. This provision results in increased state expenditures of $2.1 million in 1979–80 and $1.1 million in 1980–81.

12. *Work Incentive Program (WIN).* Prior to 1979–80, the federal, state and county governments shared the costs of reimbursing welfare recipients enrolled in the WIN program for (a) work and training-related expenses and (b) child care costs. The federal government paid 90 percent of costs, the state paid 6.75 percent and the counties paid 3.25 percent. AB 8 provides that the state will assume the county share of service costs for this program, which results in increased state expenditures of $133,023 in 1979–80 and $206,500 in 1980–81.

13. *Chapter 977, Statutes of 1976 (SB 30), Family Protection Pilot Projects.* AB 8 provides that the state's share of costs for family protection pilot projects, established in two counties under the provisions of Chapter 977, Statutes of 1976, and Chapter 21, Statutes of 1978, shall be the same as the state's share of AFDC Foster Care costs for fiscal years 1979–80

and 1980–81. AB 8 requires projects to be funded on the basis of 95 percent state and 5 percent county funds for the two fiscal years. Because of this change, state costs will increase by $566,525 in 1979–80 and $566,700 in 1980–81.

14. *Centralized Delivery System.* AB 8 requires the Department of Social Services to implement a case management, eligibility verification and benefit disbursement system in the counties by July 1, 1984. The system will verify eligibility and make payments for the following programs: (a) AFDC, (b) Food Stamps, (c) Medi-Cal, (d) Special Adult Programs, and, to the extent feasible, (e) Social Services and (f) Child Support Enforcement. The department is permitted to pilot test the system in several counties prior to actual statewide implementation. The department is required to report annually to the Legislature on its progress in implementing the system. The first report is due March 1, 1982. The department has submitted a budget proposal, discussed in detail later in the Analysis, to establish positions for this project.

Low Income Energy Assistance Program (PL 96-126)

On November 27, 1979, President Carter signed Public Law 96-126, which provides $1.35 billion in financial assistance for low-income persons to offset increased energy costs during federal fiscal year 1980 (October 1979–September 1980). Of this amount, $150 million was provided to the federal Community Services Administration for allocation to states for the ongoing Energy Crisis Assistance Program. The remaining $1.2 billion was provided to the Department of Health, Education and Welfare for two purposes. Approximately $400 million was designated for cash grants to recipients of assistance under the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program. The remaining $800 million was earmarked for other low-income populations.

California's Share of Funds. As a result of the enactment of PL 96-126, California received $50,557,205 for one-time grant payments to needy individuals in the current year. Of this amount, a total of $29,720,000 was distributed to SSI/SSP recipients in California. The federal government mailed the checks directly to SSI/SSP recipients on January 7, 1980. The grant for an SSI/SSP recipient in California was $44.

California also received $20,837,205 to provide cash grants to other low-income households. In a letter dated January 8, 1980, submitted under the provisions of Section 28 of the 1979 Budget Act, the Director of Finance requested that the Joint Legislative Budget Committee waive the 30-day waiting provision in order to provide energy assistance funds to food stamp households certified for benefits in December 1979. The request to waive the 30-day waiting period was approved.

Payments were issued by county welfare departments during February 1980 to an estimated 531,841 households. The amount of the energy assistance payments varied among counties based on a formula which took into consideration the climate and cost of energy in each county. The grant payments ranged from $25 for a food stamp household in Orange County to $103 in Mono County.

Grant and Administrative Costs. Of the $20,837,205 administered by

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the department, $18,753,485 (90 percent) was distributed as cash grants to food stamp households and $2,083,720 (10 percent) was set aside for county and state administrative costs.

Reporting Requirements of Chapter 1241, Statutes of 1978

Chapter 1241, Statutes of 1978 (SB 768), required the Department of Social Services to prepare preliminary and final reports on state administration of welfare and social services programs currently administered by county government. The act also required the Legislative Analyst to monitor and evaluate the development of these reports.

The department submitted its preliminary report to the Legislature on October 13, 1978. Our analysis of the preliminary report was provided to the Legislature in December 1978 (Report Number 78-15).

We received a copy of the department's final report on April 9, 1979. It identified four forms of state administration, including (1) the current county administrative system, (2) state/county contracts for local administration, (3) a Centralized Delivery System (CDS), and (4) full state administration of welfare programs. The department recommended that the state implement a Centralized Delivery System (CDS) which would consist of a statewide automated system to store and index the case records of welfare recipients, verify eligibility, compute grant amounts and issue warrants.

Subsequent to the department's final report, enactment of AB 8, required the department to implement a Centralized Delivery System in all counties by July 1, 1984. The functions of CDS as outlined by AB 8 are similar to those identified in the department's final report on state administration. The act contained funds for the department to establish positions in the current year. The department is requesting additional positions in the budget which we discuss later in this analysis. Our analysis of the department's proposal for developing and implementing a Centralized Delivery System is intended to meet the reporting requirements of Chapter 1241.

Disability Evaluation Determinations

The 1979–80 budget proposed 12 positions to process the increased number of medically indigent applicants referred to the medically needy program. The increase was due to an administrative revision in the referral application procedures.

The referral procedures were revised to better identify applicants who could qualify for assistance under the medically needy component of Medi-Cal *instead* of the medically indigent component. Medically indigent cases are funded 100 percent from the General Fund while medically needy cases are funded 50 percent from federal funds and 50 percent from state funds. The change in procedures ensures that the state will receive federal financial participation for the cost of care for those persons who are eligible under the federal program. Subsequently Chapter 451, Statutes of 1979 (AB 1251) required that persons applying for medical assistance first apply as medically needy rather than medically indigent. The department estimates General Fund savings to the Medi-Cal program of approximately $5.0 million in 1980–81 resulting from the shift of medically indigent cases to the medically needy classification.

Based on findings from a demonstration project in San Diego County, the department estimates that approximately 16 percent of the medically indigent cases statewide will be referred for evaluation as medically needy. In order to meet the projected increase in workload, the department has requested 89.1 positions for the budget year. Of these, 25 are redirected positions and 64.1 are new positions. The department anticipates full implementation of the new referral system for medically indigent applicants by March 1, 1981. Expenditures for the new positions are proposed at $1,808,263, of which the state's share is $913,727.

In view of the projected savings to the General Fund from the new referral system, we recommend approval of the requested positions. We will monitor the development of the caseload and savings projections of this project as they become available.

County Training Overbudgeted

We recommend a reduction of $72,072 all funds ($18,018 General Fund and $54,054 federal funds) to reflect the actual expenditure pattern for county training.

The department's schedule of operating expenses and equipment contains proposed expenditures of $96,096 for county training. The funds are used to assist county welfare departments to develop staff training programs. Counties use these funds to meet training needs which are not funded in their own budgets and to experiment with new training ideas and techniques. County welfare departments which wish to utilize the training funds submit proposals to the Department of Social Services. The department selects training projects for funding based on a specified criteria.

Historically, the department has budgeted approximately $92,000 for county training. Table 5 shows the amount of funds budgeted for county training and the amount of funds expended since 1976–77. During this period, actual expenditures have been lower than the amounts budgeted by margins of 71 percent to 89 percent.

As of January 1980, the department had approved two training proposals totaling $10,232, during the current year. This amounts to 10.6 percent of the funds budgeted for 1979–80. Several other proposals for county training projects are in various stages of review. It seems unlikely, however, that the other county training projects will be funded during the current year because departmental policy requires the projects to be completed during the fiscal year in which the proposal is approved.

Table 5
Expenditures for County Training
1976–77 to 1979–80

	1976–77	*1977–78*	*1978–79*	*Estimated 1979–80*
Budgeted	$91,520	$91,520	$91,520	$96,096
Expended	24,044	12,641	26,277	10,232 [a]
Amounts not expended	$67,476	$78,879	$65,243	$85,864
Percent	73.7%	86.2%	71.3%	89.4%

[a] Estimated expenditures based on two contracts approved as of January 1980.

Based on the historical data in Table 5 and anticipated expenditures in 1979–80, our analysis indicates that the department is overbudgeted for county training by 75 percent. Therefore, we recommend that proposed expenditures for county training be reduced by $72,072 all funds ($18,018 General Fund and $54,054 federal funds).

Facilities Operations Overbudgeted

We recommend that funds overbudgeted for facilities operations be deleted, for a savings of $58,564 ($24,978 General Fund, $31,314 federal funds, and $2,272 reimbursements).

The budget proposes $4,309,934 for facilities operations, an increase of $487,804, or 11 percent, over estimated current year expenditures. This increase includes (1) a 7 percent price increase ($258,929) and (2) an increase of $228,875 in budget adjustments related to position changes.

The Department of Finance's Budget Letter Number 4, issued July 27, 1979, instructed departments on allowable cost increases for operating expenses and equipment for the budget year. The departments were allowed to use either (1) a 7 percent general price increase or (2) specific cost factors for individual items and a 5 percent increase where specific factors were unavailable.

The Department of Social Services did not comply with these instructions in two instances when preparing the proposed budget for facilities operations. First, the department applied an inflation adjustment to long-term building leases which will not increase in the budget year. Second, the department applied a specific cost factor (35 percent in the budget year) to the heat, lights, and water component of facilities operations, while applying the *7 percent* allowable rate to all other subcategories. Department of Finance budget instructions allow the application of a specific price increase only if a *5 percent* increase is applied where specific factors are unavailable. Thus, the department's methodology results in overbudgeting of this operating expense component.

Accordingly, we recommend a reduction of $48,305 from the facilities operations category. We further recommend an additional reduction of $10,259 which has been included in the 1980–81 base budget as the result of using a similar methodology when adjusting current year expenditures. Elimination of the overbudgeted funds would result in a total savings of $58,564, consisting of $24,978 from the General Fund, $31,314 from federal funds, and $2,272 from reimbursements.

Data Processing Services Overbudgeted

We recommend deletion of funds overbudgeted for data processing services for a savings of $65,000 ($37,206 General Fund, $26,891 federal funds and $903 reimbursements).

The Department of Social Services contracts with the Health and Welfare Agency Consolidated Data Center for a number of data processing services. The budget proposes $900,000 in reimbursements from the Department of Social Services to the Consolidated Data Center for 1980–81. This is an increase of $65,000, or 7 percent, over revised 1979–80 expenditures of $835,000.

The Consolidated Data Center advises that it is not planning a rate increase in 1980–81. Moreover, the department's revised current year expenditure estimates may be reduced as a result of downward rate adjustments in January 1980. For these reasons, we recommend deletion of the $65,000 (all funds) budgeted for data center rate increases.

Fair Hearing Officers

We recommend deletion of six fair hearing officers, for a total savings of $236,693 ($139,175 General Fund and $97,518 federal funds). We further recommend that the Program Evaluation Unit in the Department of Finance evaluate the workload standard for hearing officers in the Department of Social Services and report its findings to the Legislature by December 15, 1980.

Background. The Office of Chief Referee within the Department of Social Services is responsible for conducting administrative hearings to determine the fairness of decisions made by county welfare departments in handling welfare cases. Recipients of aid have the right to appeal decisions by county welfare departments which they believe adversely affect their entitlements to assistance. Typically, a fair hearing is requested when a county action results in the denial, reduction or termination of assistance or services.

When a request for a fair hearing is made, the department schedules a hearing, notifies both the county and the claimant and assigns a hearing officer. After the hearing is concluded, the hearing officer writes a proposed opinion for adoption by the Director of the Department of Social Services.

Positions Requested for 1979–80. During hearings on the budget last year, the Legislature approved a request for 10 additional fair hearing positions. The department requested the positions based on (a) projected increases in workload and (b) the need to meet federal requirements to issue fair hearing decisions for food stamp cases within 60 days of a request for a hearing. Of the 10 positions approved, six were hearing officers required to hear cases and write decisions and four were clerical support staff. Three of the hearing officers were provided to meet the projected increase in normal caseload and three were provided to meet the food stamp requirement.

Projected Caseload Growth. Table 6 shows the department's projections of the fair hearing caseload for 1978–79 and 1979–80. The projections were made in March 1979 in preparation for the hearings on the 1979–80 budget and were the basis for requesting additional positions. In addition, Table 6 indicates the actual fair hearing caseload for 1978–79 and our estimate of the caseload for 1979–80.

Table 6 shows that the number of hearings requested in 1978–79 totaled 25,562. This was about 3,000 *less* than projected by the department. During this period, 8,761 fair hearing decisions were rendered, or 3,600 *less* than originally estimated by the department.

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The department's estimate of hearings for the current year is 28,033, slightly less than our estimate. The number of decisions estimated to be rendered in the current year is 11,373, or about 2,519 more than our estimate. The reason for this difference is that the department has assumed that approximately 60 percent of the requests will be withdrawn or dismissed and therefore will not require a hearing. However, actual experience in 1978–79 indicates that approximately 70 percent of the requests are withdrawn or dismissed prior to hearing. Using this withdrawal or dismissal rate, we estimate that the department will render approximately 8,850 decisions during the current year, in contrast to the department's 11,373 estimate.

Table 6
Fair Hearing Caseload
1978–79 and 1979–80

	Actual 1978–79		*Estimated 1979–80*	
	Department Projection	*Actual*	*Department Projection*	*Analyst Estimate*
Requests for hearings	28,527	25,562	28,033	29,514 [a]
Decisions rendered	12,391	8,761	11,373	8,854 [b]

[a] Based on actual experience for the first four months of 1979–80.
[b] Assumes withdrawal or dismissal of 70 percent of requests based on actual department experience in 1978–79.

Workload Standard. The estimated number of decisions rendered in a year is significant because this is the workload standard used for determining the number of hearing officers needed. For 1979–80, the department is authorized 54 hearing officer positions. Last year, the department identified an annual workload standard for both experienced and inexperienced hearing officers of 215 cases heard and written. Based on this workload standard and assuming 8,854 decisions disposed of in 1979–80, the department's staffing level should be 41 hearing officers (8,854 ÷ 215 = 41), rather than 54.

The department recently advised us that the workload standard of 215 decisions per hearing officer was no longer appropriate for two reasons. First, the types of cases handled by hearing officers are now more complex than they were in the past. As a result, these cases require additional writing time. Second, the federal requirement to issue food stamp decisions within 60 days of appeal (instead of 90 days for AFDC cases) requires additional staff. While fair hearing cases may have increased in complexity during the last few years, there is nothing to indicate that the increase is so great as to require 13 positions, or 32 percent more staff than justified by the workload standard (54 authorized positions −41 justified = 13 positions).

Reduce Hearing Officer Positions. We recommend that the six hearing officer positions authorized by the Legislature last year be eliminated for the following reasons. First, the number of fair hearing decisions in 1978–79 was lower than projected. Based on experience in the first four months of 1979–80 we estimate that the number of decisions will remain stable in the current year. Second, the department has redirected three of the six hearing officer positions authorized by the Legislature to perform other functions in the current year. One position was assigned as a supervisor in the San Francisco office. The remaining two positions were assigned to a unit which reviews fair hearing decisions for consistency with regulations and prior decisions. This would suggest that additional positions to hear cases and write decisions were not required in the current year.

If this recommendation is adopted, the department will have 48 hearing officers, or seven more than justified by the department's workload standard. We are not recommending that the other seven hearing officer positions be deleted because of the continued debate over the appropriate workload standard for these positions. To resolve this issue, we recommend that the following supplemental report language be adopted: "The Program Evaluation Unit in the Department of Finance shall evaluate the workload standard for hearing officers in the Department of Social Services and report its findings to the Legislature by December 15, 1980."

Affirmative Action—Temporary Help Positions

We recommend that Item 309 be reduced by $271,057, consisting of $135,528 from federal funds and $135,529 General Fund, by eliminating temporary help funding for affirmative action recruiting.

The budget proposes expenditures of $1,192,001 from all funds for 73.4 temporary help positions. This is a decrease of $97,965, or 7.6 percent, from expenditures in the current year. The funds are used for staff costs related to: (a) overtime and seasonal temporary help salaries, (b) vacation earnings of employees who leave the department, (c) overlapping of positions to provide training for new employees, (d) special consultants, and (e) recruitment and hiring of minority employees.

The budget proposes 21.5 temporary help positions for affirmative action hiring purposes in 1980–81. The total cost of the positions is estimated to be $271,057, which is the same amount as budgeted in the current year. The purpose of these funds is to assist the department in meeting its affirmative action goals through recruiting minority employees, upward mobility candidates, and students. Under this policy, the department places an individual in a temporary help position pending a vacancy in a permanent position. When a permanent position becomes available, the individual is transferred to it.

Background. In January 1977, the Department of Social Services (then the Department of Benefit Payments) submitted a budget request to establish 57.8 ongoing temporary help positions. Of that number 21.5 positions were to be used to assist the department achieve its affirmative action goals. We recommended approval of the 57.8 positions.

In the preparation of this analysis, we requested the Department of Social Services to identify how the temporary help positions for affirmative action had been used to achieve the department's goals. Our analysis of information provided by the department indicates that the continued use of temporary help positions for affirmative action recruiting purposes is no longer justified.

Goals Achieved. The department indicates that it has two affirmative

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action goals: (1) labor force parity—the department's demographic composition should reflect the ethnic and racial composition of the California civilian labor force and (2) population parity—the department's workforce should reflect the make-up of the California population. If labor force parity is the objective, the department has achieved or exceeded its affirmative action goals for ethnic and racial composition in total and for most categories, as shown in Table 7. For example, using the labor force parity goal, 23.7 percent of the department's workforce should be from minority groups. The department's actual minority composition is 35.1 percent. In addition, the department has achieved its goals for specific ethnic categories with the exception of hispanics.

If population parity is the measure, the department has achieved its goals both in total and for specific ethnic categories except hispanics and "other" minorities as shown in Table 7.

Table 7
Department of Social Services
Comparison of Affirmative Action Goals
with Actual Experience for All Personnel Categories
October 1979

	Ethnic and Racial Composition						
Goal	*Blacks*	*Hispanics*	*Asians*	*Native Americans*	*Filipino*	*Other*	*Total*
Labor force parity	6.3%	13.7%	2.3%	0.4%	0.7%	0.3%	23.7%
Population parity	7.0	15.5	2.8	0.5	0.8	0.9	27.5
Actual representation	14.8	9.1	6.5	1.1	3.1	0.5	35.1

Table 8 compares the department's affirmative action goals for the placement of minority employees in professional positions with actual experience. With the exception of hispanics and "other" minorities, the department has achieved or exceeded its minority recruiting goals.

Table 8
Department of Social Services
Comparison of Affirmative Action Goals
with Actual Experience for Professional Categories
October 1979

	Ethnic and Racial Composition						
Goal	*Blacks*	*Hispanics*	*Asians*	*Native Americans*	*Filipino*	*Other*	*Total*
Labor force parity	6.3%	13.7%	2.3%	0.4%	0.7%	0.3%	23.7%
Population parity	7.0	15.5	2.8	0.5	0.8	0.9	27.5
Actual representation	8.5	11.1	6.9	0.7	2.6	0.3	30.1

Table 9 compares the department's affirmative action goals for minority representation in managerial positions with actual experience. With the exception of hispanics and "others", the department has achieved or exceeded its goals.

Table 9
Department of Social Services
Comparison of Affirmative Action Goals
With Actual Experience for Managerial Categories
October 1979

	Ethnic and Racial Composition						
Goal	*Blacks*	*Hispanics*	*Asians*	*Native Americans*	*Filipino*	*Other*	*Total*
Labor force parity	6.3%	13.7%	2.3%	0.4%	0.7%	0.3%	23.7%
Population parity	7.0	15.5	2.8	0.5	0.8	0.9	27.5
Actual representation	11.5	5.4	5.4	1.7	0.9	0.6	25.5

These data suggest that the department has made significant progress in achieving its affirmative action goals and that there is no longer a need for the department to rely upon this recruiting mechanism to achieve its objectives.

Procedure Not Available to Other Departments. During the current hiring freeze, the use of the temporary help blanket for recruiting purposes provides the Department of Social Services with a hiring procedure which is generally unavailable to other departments. It is our understanding that other departments of comparable size have not been provided funds through temporary help positions to meet their affirmative action goals. Instead, the other departments achieve their goals by waiting for a vacancy to occur and then filling it with an available applicant. The Department of Social Services could also rely upon this method for meeting its affirmative action goals.

Transitioning Into Permanent Positions. While use of temporary help positions has assisted the department to achieve its affirmative action goals, the department has had some problems in moving certain groups of individuals from the affirmative action blanket into permanent positions. During 1978–79, 60 persons were placed in the affirmative action positions, as shown in Table 10. Of this number, 25 were from the minority recruitment program, 26 were from the student recruitment program and nine were in the upward mobility category. Although student recruitment constituted 43 percent of the affirmative action blanket usage, it accounted for only 12 percent of the persons transitioned to permanent positions during 1978–79. Because of the relatively few permanent graduate student positions in the department, it is unlikely that significant numbers of students would be transitioned into permanent positions.

For these reasons, we recommend that funds for affirmative action temporary help positions be deleted, for a savings of $271,057 ($135,529 General Fund and $135,528 federal funds).

Table 10
Department of Social Services
Affirmative Action—Temporary Help Positions

	Actual 1978–79					Actual 1979–80 (through December 1979)				
		Transitioned to Permanent Position					Transitioned to Permanent Position			
Affirmative Action Program	*Total Persons*	*Number*	*Percent*	*In Blanket As of 6-30-79*	*Separated*	*Total Persons*	*Number*	*Percent*	*In Blanket As of 1-4-80*	*Separated*
Minority recruitment	25	18	72%	1	6	13	5	38%	6	2
Upward mobility [a]	9	6	67	2	1	5	1	20	4	0
Student recruitment [b]	26	3	12	5	18	10	0	0	7	3
Totals	60	27	45%	8	25	28	6	21%	17	5

[a] Upward mobility program provides opportunities for advancement for state employees in low-paying occupations.
[b] Recruitment of students for full-time work during the summer and part-time work throughout the year.

Inappropriate Use of Special Consultants

We recommend elimination of temporary help funding for special consultants, for a savings of $76,358 ($50,869 General Fund, $25,322 federal funds and $167 reimbursements). We further recommend Budget Bill language requiring Department of Finance approval of any special consultant positions to be established with temporary help funds.

The budget proposes expenditures of $1,192,001 from all funds for 73.4 temporary help positions in the Department of Social Services. This is a decrease of $97,965, or 7.4 percent, from expenditures in the current year. These funds are used for staff costs related to: (a) overtime and seasonal temporary help salaries, (b) vacation earnings of employees who leave the department, (c) recruitment and hiring of minority employees, (d) overlapping of positions to provide training for new employees and (e) special consultants.

Legislative Action. In the *Analysis of the 1979 Budget Bill*, we identified several problems with the department's use of special consultants. On the basis of our review, we recommended that temporary help funding for special consultants be eliminated for 1979–80. The Legislature adopted this recommendation and reduced funds for temporary help by $71,699 ($53,774 federal funds and $17,925 General Fund).

In the preparation of this analysis, we requested the department to identify any special consultants established during 1979–80. The department provided information on seven consultants. Our analysis of the information provided by the department indicates that the department is continuing to use special consultants financed with temporary help funding. This is inappropriate for two reasons.

First, using funds to establish special consultant positions for which the Legislature denied funds clearly violates both legislative intent and Control Section 15 of the 1979 Budget Act. That section provides that "no appropriation made by this act or any other provision of law may be combined or used . . . to achieve any purpose which has been denied by any formal action of the Legislature."

Second, consultants were hired to perform functions which duplicate duties of existing authorized positions. This is evident in the following examples.

Indochinese Refugee Consultants. For example, during the budget hearings last year, the department requested that the Legislature continue funding for four positions in the Adult and Family Services Division to assist in the administration of the Indochinese Refugee Assistance Program (IRAP). The positions were in addition to 2.5 permanent positions previously assigned to the division for IRAP administration. The Legislature was advised that the four positions would monitor the performance of departmental contractors who were providing social services, English as a second language, vocational training and employment services to Indochinese refugees. The Legislature approved funds for the four positions, as requested.

Subsequently, however, the department hired three special consultants to review and evaluate the various services provided to the Indochinese refugees by departmental contractors. The services include social services, English as a second language (ESL) and vocational training. In requesting the State Personnel Board to approve these contracts, the department stated that the consultants would:

1. "Examine the linkages between these provider agencies (contractors) and other agencies and community groups which also provide assistance to the newly arriving refugees from Indochina;
2. "Determine if the specific services available through the contract agencies are relevant and appropriate to refugees' needs;
3. "Determine if the agencies use a broadly coordinated approach to avoid service gaps and service duplication;
4. "File a report of findings with specific recommendations concerning needs for improved coordination of efforts among agencies to overcome those factors most tending to prolong the refugees' dependency upon public assistance programs in their assimilation into the culture and economy of California."

The department indicates that the consultants' report will be available in February 1980.

The Legislature recognized the need for such monitoring and evaluation activities when it approved permanent funding of the four positions requested by the department. Consequently, these consultants duplicate the functions performed by positions previously authorized by the Legislature.

Moreover, our analysis indicates that the efforts of the special consultants also duplicate an evaluation conducted by a private research firm under contract to the department in 1979–80. The firm was hired to evaluate the social services provided by 14 private agencies to refugees between July 1978 and June 1979. Specifically, the objectives of the study were to:

1. Identify the number of refugees receiving services from private agencies;
2. Identify the service needs of the refugees in terms of the statutory goal of self-sufficiency;
3. Evaluate the effectiveness of the services provided in making refugees self-sufficient;
4. Determine if certain groups of refugees are receiving a disproportionate amount of services;
5. Recommend resources required to fill the gap between identified service needs and service delivery;
6. Identify the various systems by which private agencies deliver social services and evaluate their effectiveness.

The firm has completed its report and submitted its findings to the department.

Minority Affairs Consultant. In addition, the department has hired a special consultant to develop communications with various minority organizations concerning departmental programs. This position is under the general supervision of the Assistant to the Director of Community Affairs. Our analysis indicates that the special consultant duplicates the duties of the assistant director position. One of the duties of this position is to develop communications with the various groups served by the department.

Additional Controls Needed. The amount of funds proposed for temporary help positions for 1980–81 is based on prior-year expenditures rather than on an identification of specific budget-year needs. Our analysis of information provided by the department, indicates that the department will spend approximately $76,358 (all funds) in the current year for special consultants. Given the problems with the department's use of special consultants in the past, and the continuation of these problems during the current year, we recommend that temporary help funds in Item 309 be reduced by $76,358.

Currently, requests to fund special consultants are reviewed by the State Personnel Board, but not by the Department of Finance. The State Personnal Board reviews such requests to determine the appropriateness of the salary range and the availability of civil service employees to perform the work. Clearly this review has been inadequate, as the department has hired special consultants to perform tasks for which it already has been authorized positions.

Therefore, we recommend adoption of the following Budget Bill language to require the Department of Finance to review and approve the establishment of special consultants by the Department of Social Services.

"Provided further, that the department shall not establish special consultant positions funded through temporary help funds prior to review and approval by the Department of Finance."

Centralized Delivery System (CDS)

We recommend:

1. *Budget Bill language be added requiring that the department's feasibility study include an identification of the total state and local resources required and schedule of events necessary to complete the development of CDS;*

2. *Budget Bill language be added providing that positions for phases 2 and 3 of the CDS project not be established until specified approval processes have been completed and that funds not expended for approved budgeted positions revert.*

3. *$796,413 budgeted for electronic data processing be deleted ($398,207 General Fund and $398,206 federal funds).*

4. *Funds budgeted for the CDS project be scheduled in a separate budget item.*

Provisions of AB 8. AB 8 requires the Department of Social Services to implement a Centralized Welfare Delivery System (CDS) in all counties by July 1, 1984. The act states that the system will assist in the delivery of benefits to eligible recipients for the following programs: Aid to Families with Dependent Children (AFDC); Food Stamps; Medi-Cal eligibility; Aid for Adoption of Children; Special Adult programs; and to the extent feasible, Social Services and Child Support Enforcement.

The act identifies the following system goals: (1) prompt and accurate verification of eligibility, (2) accurate computation and timely disbursal of benefits, (3) uniform treatment of recipients, (4) reduction of administrative complexity, (5) enforcement of management and fiscal controls, and (6) collection of management information.

DEPARTMENT OF SOCIAL SERVICES—Continued

CDS Division. During the current year, the department established a separate division which is charged with the responsibility to define, design, develop and implement CDS. The department is currently working on the definition phase of CDS which will produce a feasibility study detailing the proposed system design.

Positions Requested for CDS. The department proposes to administratively establish 89 positions for CDS in the current year as shown in Table 11. The budget proposes to continue these 89 positions and establish 43 new positions, for a total of 132 positions in 1980–81.

The Department of Finance has approved the establishment of 65 of the 89 positions in the current year to work on Phase 1—Definition of the CDS project. The budget states that approval of the remaining 67 positions (24 in the current year for Phase 2—Design and 43 in the budget year for Phase 3—Development) is subject to the Department of Social Services identifying how the positions will be used to design and implement CDS.

Departmental Accomplishments. The department has accomplished several important tasks related to the CDS project in a relatively short period of time. It has recruited personnel, assembled an organizational structure and started the project's definition phase (Phase 1). The department advises that an advisory council has been established to provide advice and recommendations to the department for consideration when developing and implementing CDS.

We have several concerns with certain aspects of the department's approach to the development of CDS.

1. *Amount of Time Required to Implement CDS.* AB 8 allows the department approximately five years (July 1979 to July 1984) in which to define, design, develop and implement CDS. Discussions with departmental staff suggest that the department is reluctant to seek a revision in the date specified for full implementation of the system. Our analysis indicates that the statutory time frames are very demanding, and that several factors may affect the department's ability to achieve the "time frames".

First, the department has interpreted the act as requiring that a highly complex automated system be in operation within five years. Historically, estimates of the time required to implement systems of this magnitude have been too optimistic. For example, Los Angeles County's Welfare Case Management Information System (WCMIS) has experienced several delays and the scope of the system has had to be redefined more than once. Although the WCMIS project was initiated in 1971, the central index was not operational until 1977. The system is not scheduled to start issuing checks to AFDC recipients and authorizations to participate in the Food Stamp program until October 1980, nine years after the project's initiation date.

Second, there is currently a shortage of qualified EDP professional staff in state government. As of December 1979, there was approximately a 9.4 percent vacancy rate in state agencies for EDP staff including computer programmers, analysts and computer operators.

Third, the department has not had enough time to define all of the requirements of the system, and therefore does not know how much time

Table 11
Centralized Delivery System Project
Positions Requested
1979–80 and 1980–81

	Number of Positions		*Costs*					
			1979–80			*1980–81*		
	1979–80	*1980–81*	*Total*	*General Fund*[a]	*Federal Funds*	*Total*	*General Fund*	*Federal Funds*
Project Staff								
Approved	40	40	$1,060,854	$530,427	$530,427	$2,202,003	$1,101,002	$1,101,001
Pending approval by Department of Finance	24	65	402,746	201,373	201,373	1,934,559	967,280	967,279
Program Staff								
Approved	25	25	553,900	327,058	226,842	756,738	446,352	310,386
Pending approval by Department of Finance	—	2	—	—	—	61,394	61,394	—
Totals	89	132	$2,017,500	$1,058,858	$958,642	$4,954,694	$2,576,028	$2,378,666
Approved	(65)	(65)	($1,614,754)	($857,485)	($757,269)	($2,958,741)	($1,547,354)	($1,411,387)
Pending approval by Department of Finance	(24)	(67)	($402,746)	($201,373)	($201,373)	($1,995,953)	($1,028,674)	($967,279)

[a] Funds provided in Chapter 282, Statutes of 1979 (AB 8).

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is required to implement CDS. The department is currently revising its interim time frames leading to implementation in July 1984. As a result of this revision process, the department has moved back the date for pilot testing CDS from July 1981 to October 1981.

While the department should make every attempt to meet the implementation date established by AB 8, the department should make a realistic assessment of the reasonableness of that implementation date.

2. *Feasibility Study.* The State Administrative Manual and Control Section 4 of the Budget Act require that a feasibility study report (FSR) be prepared prior to the expenditure of funds for EDP projects of this magnitude. The department has indicated that it plans to issue a feasibility study approximately July 15, 1980. The study will identify (a) the welfare programs to be included in CDS, (b) the functions which the system will perform and (c) the method for implementing CDS.

This is a critical document which also should identify the impact of implementing CDS on the state and county governments. In addition to addressing electronic data processing methods, the feasibility study report should identify (1) the total state and local resources required, and a schedule of events or tasks necessary to complete CDS, (2) the cost and staffing impact of this system on county EDP operations, and (3) the department's plan to integrate CDS with the Welfare Case Management Information System in Los Angeles County and the Welfare Case Data Management System located in 11 other counties.

In order to identify these system impacts for the Legislature, we recommend the following Budget Bill language:

"Provided further that the department's feasibility study report include an identification of (1) the total state and local resources required and schedule of events necessary to implement CDS, (2) an identification of the impact of CDS on current county EDP operations and (3) an identification of how the existing WCMIS and Case Data Management Systems will be incorporated into CDS."

3. *Undefined Positions.* The budget indicates that 67 of the 132 positions proposed for 1980–81 have not yet been approved by the Department of Finance. The positions not yet approved would work on the design and development phases (Phases 2 and 3) of the CDS project. The budget proposes to reserve $1,995,953 ($1,028,674 General Fund and $967,279 federal funds) for the 67 positions pending clarification of how they will be used to design and develop CDS.

Because the administration is unable to identify how the 67 positions will be used in the budget year, we have no basis upon which to recommend that they be approved. In addition, we believe that until the feasibility study report is completed, the department itself will not know what programs will be included in CDS and the personnel resources required for this system in 1980–81. On the other hand, we recognize that the department will require positions in 1980–81 for design and development activities even though it is unable to identify their functions at this time.

We recommend approval of the funds for the 67 positions contingent upon the adoption of Budget Bill language that prohibits the expenditure of funds for these positions until (a) the Department of Finance approves the department's feasibility study, (b) the federal government approves federal financial participation for development of the CDS project and (c) after 30 days notification of such approvals and submission of the approved feasibility study report to the Joint Legislative Budget Committee. We further recommend that Budget Bill language specify that any funds not expended for approved budgeted positions revert to the General Fund. The following language is consistent with these recommendations:

"Provided that the $1,995,953 ($1,028,674 General Fund and $967,279 federal funds) appropriated by this item for Phases 2 (design) and 3 (development) of the CDS project may not be expended until (a) the Department of Finance approves the Department of Social Services, feasibility study, (b) the federal government has approved federal financial participation for development of the CDS project, and (c) after 30-days notification of such approvals and submission of the approved feasibility study report to the Joint Legislative Budget Committee."

"Provided further, that any amount of the $1,995,953 not expended for approved, budgeted positions for CDS revert."

Adoption of these recommendations will allow (a) the department adequate personnel to complete the definition phase of CDS and (b) the Legislature the opportunity to review the feasibility study report and the department's personnel requirements before the department proceeds with subsequent phases of CDS.

4. *Funds Budgeted for Electronic Data Processing (EDP).* The department has budgeted $796,413 in 1980–81 for EDP related to CDS. The department maintains that the funds are needed to carry out the pilot phase of the project. AB 8 allows the department to test CDS in several counties prior to statewide implementation.

Our analysis indicates that these funds are not justified for 1980–81. First, given delays in the CDS schedule, the funds will not be required until fiscal year 1981–82. The department originally projected that it would start pilot testing in July 1981, thus requiring that the funds be budgeted for 1980–81. However, the department now projects that pilot testing will not start until October 1981. Our review indicates that this date may be revised further depending upon the results of the feasibility study.

Second, based on conversations with departmental staff, it is unclear whether the requested funds will be used to purchase equipment or to pay for services from the Health and Welfare Data Center.

Third, the department is unable to identify the number of counties which will participate in the pilot test.

Because the pilot project phase of CDS will not start until October 1981 (fiscal year 1981–82) at the earliest, we recommend that these funds be eliminated from the 1980–81 budget, and requested for the budget year in which they will be expended. This will result in savings in the budget year of $796,413 ($398,207 General Fund and $398,206 federal funds).

5. *Budget CDS Appropriations in Separate Item.* Because of the potential costs of this project and the time required to implement it, we recommend that the funds for CDS be scheduled in a separate budget item. Separate scheduling of the costs will allow the Legislature to track the development, maintenance and operational costs of the CDS project.

DEPARTMENT OF SOCIAL SERVICES—Continued

Child Support Enforcement Program—Positions to Increase Collections

We recommend that the 4.5 positions requested for the Child Support Operations Bureau be augmented by 1.5 positions, for increased costs of $32,521 ($13,008 General Fund and $19,513 federal funds). We further recommend that the six positions be limited until June 30, 1982, subject to the achievement of specified goals.

The purpose of the Child Support Enforcement program is to locate and obtain child support payments from absent welfare and nonwelfare parents. Support payments collected from absent parents whose children are receiving public assistance under the Aid to Families with Dependent Children (AFDC) program are used to offset county, state and federal expenditures for this program.

The budget requests an additional 4.5 positions for the Child Support Enforcement Branch at a cost of $100,835 all funds ($40,344 General Fund and $60,491 federal funds). The positions will be assigned to the Child Support Operations Bureau and will be used to: (1) monitor county operations of the program, and (2) recommend and implement corrective action plans for improving county performance.

The department originally requested six positions to perform these functions. In its proposal, the department identified the following goals it expected to achieve if the positions were approved: (1) based on federal standards collections from absent parents whose children are receiving welfare payments would increase from 4 percent to 10 percent of AFDC expenditures by the end of 1981–82 and (2) child support collections from absent AFDC parents in Los Angeles County, which has the lowest collection rate of any county, would double by the end of 1980–81.

It is estimated that the state will collect about $94.9 million in 1979–80 from absent AFDC parents. This amount is equal to 4.5 percent of total estimated AFDC expenditures ($2,106.1 million) in the current year. Of the $94.9 million collected, $31.6 million will be returned to the state to offset its expenditures for the AFDC program. If the state collected 10 percent of AFDC expenditures as proposed by the department, the amount returned to the state in the current year would be about $69 million.

We support the department's efforts to increase child support collections and its willingness to identify measureable goals to be achieved by the requested positions. Because the department's anticipated results were based on six positions, we recommend an augmentation of 1.5 positions to the 4.5 new positions included in the Governor's Budget. We further recommend that the six positions be limited to June 30, 1982, subject to the department achieving the following goals identified in its budget request by that date: (1) increase collections from absent AFDC parents to 10 percent of AFDC expenditures and (2) double the collections from absent welfare parents in Los Angeles County. If the department achieves these goals, we would recommend that the positions be made permanent.

Public Inquiry and Response

We recommend that two proposed positions for the Public Inquiry and Response Branch be deleted, for a savings of $48,002 ($30,247 General Fund, $9,600 in federal funds and $8,155 in reimbursements).

The budget proposes $71,755 ($45,385 from the General Fund, $14,387 in federal funds and $11,983 in reimbursements) to establish 3.5 positions in the Public Inquiry and Response Branch of the Planning and Review Division. This division consists of four branches including Planning and Development and Public Inquiry and Response. The Public Inquiry and Response Branch (1) responds to inquiries from welfare applicants, county welfare departments, attorneys and other individuals, regarding the public assistance and social services programs administered by the department, (2) translates departmental forms and publications into Spanish and responds to non-English requests for information, (3) monitors child protective service referrals to California county welfare departments from other states, and (4) provides support to the chief referee in fair hearing matters.

This branch currently is authorized 27 positions. An additional staff services manager, staff services analyst and 1.5 clerical positions are proposed for the budget year. The department advises that there are insufficient manager positions in this branch to supervise existing staff effectively, and therefore it is requesting a new staff services manager position.

Recommended Staffing Ratios. The State Personnel Board (SPB), in a recent audit of personnel functions delegated to the Department of Social Services, stated that the minimum allowable ratio of managers to analysts is one to three. Staff of the State Personnel Board advise that the maximum recommended ratio is one manager to eight analysts.

The current manager to analyst ratio in the Public Inquiry and Response Branch is two to sixteen. On this basis, an additional manager appears to be justified for the Branch. At the same time, however, there are units in the division with more managers per analyst than the maximum established by the State Personnel Board. In the Long Range Planning Bureau, for example, the manager to analyst ratio is two to three. Consequently, our review indicates that the department has sufficient supervisory staff within the division to transfer a manager position to the branch without additional staff.

Positions Redirected. The department is requesting a staff services analyst position for the complaint and case review unit of the branch to help overcome existing backlogs in this unit's work. During 1979–80, three analyst positions in the complaint and case review unit of the branch were redirected to other functions: (1) one governmental program analyst was on a Kepner-Tregoe training assignment from July to December 1979, (2) another moved to the Welfare Program Operations Division to assist in the establishment of a food stamp complaint processing system, and (3) the third analyst was loaned to the Governor's Office to perform census outreach. Because departmental priorities have redirected these positions from the Public Inquiry and Response Branch during the current year, we have no basis for recommending that approval be given for an additional analyst position in this unit to overcome "existing backlogs."

Our review of existing departmental resources indicates that the needs of the Public Inquiry and Response Branch can be met without the establishment of additional analyst and manager positions. We recommend the deletion of the proposed staff services manager and staff services analyst, for a savings, all funds, of $48,002 ($30,247 from General Fund, $9,600 in federal funds and $8,155 in reimbursements).

Title XX Training

The Title XX training program consists of (1) county administered staff development, (2) services training conducted by universities for county welfare department staff, and (3) training for direct service providers, such as foster parents, child day care workers and providers of in-home supportive services. Federal grants to the states for Title XX training were unlimited prior to the passage of PL 96-86, effective in the 1980 federal fiscal year. The act established a national spending limit of $75 million for Title XX training programs. As a result of this limitation on funds, California's 1980 Title XX training allocation was reduced to $3.8 million by the Department of Health, Education and Welfare. This reduced the amount of federal Title XX training funds available to California during state fiscal year 1979–80 from $12.9 million to $3.8 million, a difference of, $9.1 million.

Pending federal legislation—HR 3434, which amends the Social Security Act regarding adoptions assistance, foster care and child welfare services —would establish a permanent ceiling on Title XX training funds equal to 4 percent of each state's Title XX services allocations. The budget, which assumes enactment of HR 3434, proposes $13 million for Title XX training in 1980–81. If HR 3434 is not enacted, the level of federal funding for Title XX training is not known.

Thus, if HR 3434 is not enacted, funding for California's Title XX training program may be limited to an amount less than proposed in the budget. The midyear reduction in federal funds during 1979–80 forced the department to (1) discontinue the review of proposals for foster care and child care training, (2) terminate negotiations for the development of a cost accounting system, and (3) cancel contracts with universities conducting services training. If Title XX training funds are less than the amount budgeted in anticipation of the passage of HR 3434, the level of Title XX program activity will have to be adjusted accordingly. Title XX funding is discussed further in our analysis of Item 312.

Title XX Training Management

We recommend (1) two new positions be limited to June 30, 1982, and (2) supplemental language be adopted requiring the Department of Social Services to report to the Legislature by December 15, 1981, regarding (a) progress toward establishing standard procedures for the management and evaluation of Title XX training programs and (b) the effectiveness and accomplishments of the programs.

The budget proposes $61,876 (consisting of $46,407 in federal funds and $15,469 from the General Fund) to establish two positions to manage and evaluate Title XX training programs conducted by universities for county welfare department staff and direct service providers.

In our *Analysis of the 1979–80 Budget Bill,* we recommended that funds for Title XX training be deleted from the budget because (1) we were unable to identify how funds budgeted for social services training were to be spent in 1979–80 and (2) Title XX training programs were being managed in violation of the State Administrative Manual. During the current year, the Department of Social Services has attempted to address the problems we had identified by (1) contracting with a former county staff development officer to advise county welfare departments on the availability of Title XX training programs and (2) establishing statewide priorities for Title XX training.

The addition of these two new positions should enable the department to implement an effective management and evaluation system for the Title XX training program. However, given the uncertainty over the funding level for this program and the Legislature's need to review the management and effectiveness of Title XX training, we recommend (1) the two new positions be limited to June 30, 1982, and (2) the following supplemental report language be adopted:

"The department shall submit a report to the Legislature by December 15, 1981 (a) identifying the department's progress toward establishing standard procedures for the management and evaluation of Title XX training programs, and (b) reporting on the effectiveness and accomplishments of these programs."

Family and Children's Services Position

We recommend deletion of three positions proposed in the Family and Children's Services Policy Bureau, for a General Fund reduction of $92,091.

The budget proposes $92,091 from the General Fund to establish three social services consultant positions in the Family and Children's Services Policy Bureau. These positions would be limited to two years, ending June 30, 1982. The consultants are requested to: (1) implement pending federal legislation (HR 3434) affecting adoptions, child welfare services and foster care (discussed in Item 312), and (2) develop regulations for implementation of the Indian Child Welfare Act.

Our analysis indicates that the requested positions are not justified for the following reasons:

1. *Draft Regulations Already Prepared.* The department already has incorporated many of the provisions of HR 3434 in draft regulations developed by its Social Services Policy Task Force (discussed in Item 312). The extent to which these regulations must be modified to comply with HR 3434 is uncertain. In addition, the department has also prepared draft regulations for implementation of the Indian Child Welfare Act. The need for additional resources to develop regulations therefore has not been demonstrated.

2. *Reporting Activities Currently Underway.* Current state law already mandates many of the statistical reporting requirements included in HR 3434. For example, the department is already required to develop a comprehensive management information system for foster care placement and the AFDC Boarding Homes and Institutions (BHI) program, prepare an annual report on foster care, and report on family protection service activities. Our review indicates that these ongoing activities will

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respond to a major portion of the HR 3434 reporting requirements.

3. *Positions Already Provided.* Last year the Legislature approved the department's request to establish three positions in the Family and Children's Services Branch for a two-year limited term in order to (a) develop child protection and foster care policies, (b) draft necessary regulations, and (c) implement these policies and assess their effect on county programs. During the first six months of 1979–80, the Family and Children's Services Policy Bureau allocated 2.6 existing personnel-years to the department's task force effort to develop new regulations. The bureau used its three new positions to replace those staff temporarily assigned to the task force. With the completion of the draft regulations, task force staff are being returned to their original assignments. By the beginning of 1980–81 the three positions added by the Budget Act of 1979 will be available for activities such as implementation of HR 3434.

4. *Positions Vacant in Bureau.* Our analysis indicates this bureau will have a 14 percent vacancy rate during 1979–80. While this high vacancy rate is largely attributable to the difficulty in filling newly authorized positions, the Family and Children's Services Policy Bureau will be able to meet the workload demands for at least 2.5 positions (14 percent of 1979–80 authorized positions) simply by filling its vacancies.

Because the department already has adequate resources for the implementation of HR 3434 and the Indian Child Welfare Act, we recommend that the three positions proposed for the Family and Children's Services Policy Bureau be deleted, for a General Fund savings of $92,091.

Indochinese Refugee Assistance Program

The passage of PL 96-110, the Cambodian Relief Act, assures 100 percent federal funding for the Indochinese Refugee Assistance Program (IRAP) until September 30, 1981. This program includes (1) nationwide resettlement activities conducted by private, charitable organizations, (2) cash assistance, medical assistance, educational programs and social services delivered by state and county agencies, and (3) social services, job placement and language training provided by private contractors.

Pending Federal Legislation. Two versions of a comprehensive federal refugee assistance bill continuing IRAP beyond 1981 will be considered by a conference committee in 1980. Both bills before the conferees establish limits on the period of time, after arrival in the United States, that individual refugees may receive 100 percent federally funded cash assistance payments.

Unknown Number of Indochinese Refugees in California. The number of refugees currently residing in California is not known. Estimates vary from 87,325 to 138,800, a difference of 59 percent. An accurate estimate is not available because (1) voluntary agencies responsible for the resettlement of Indochinese refugees have not maintained accurate counts of refugees coming into California and (2) many refugees migrate to California after being resettled in other states.

Assistance to Indochinese Refugees in California. In California, programs for assisting Indochinese refugees are conducted primarily by the Departments of Social Services, Health Services and Education under the overall direction of the Secretary of Health and Welfare. The Department of Social Services administers cash assistance payments to Indochinese refugees not eligible for AFDC or SSI/SSP. County welfare departments deliver in-home supportive services and other county social services to these clients. In addition, contracts for special social services and for training in English as a second language (ESL) are administered by the Department of Social Services.

In July 1979, the most recent month for which actual caseload information is available, 35,819 Indochinese refugees received cash assistance payments in California. This was an increase of 9,186, or 34 percent, over the caseload in October 1978, the first month such information was collected. The number of public assistance cases is expected to increase at a greater rate during 1980–81, as a result of higher national immigration quotas. The budget estimates that 81,500 refugees will receive cash assistance in July 1980, and that the average monthly caseload in 1980–81 will be 97,800.

Table 12 shows the Governor's proposed 1980–81 federal expenditure of $228.43 million for IRAP. The table distinguishes between the normal federal share of program expenditures and additional funding designated specifically for IRAP. This estimate will be revised during the budget process to reflect updated caseload projections.

Table 12
Indochinese Refugee Assistance Program (IRAP)
Estimated Federal Expenditures in California
(in millions)

	Estimated 1979–80			*Proposed 1980–81*		
Program Category	*Total*	*Normal Federal Share*	*IRAP Funding*	*Total*	*Normal Federal Share*	*IRAP Funding*
Local Assistance						
AFDC	$42.27	$21.13	$21.13	$81.77	$40.88	$40.89
SSI/SSP	12.57	7.00	5.57	26.85	14.48	12.37
Residual	31.48	—	31.48	62.00	—	62.00
Medical assistance	45.91	13.54	32.37	85.79	25.16	60.63
Administration						
AFDC	3.57	1.79	1.79	6.62	3.31	3.31
Residual	3.49	—	3.49	6.64	—	6.64
Medical Assistance	6.76	2.00	4.76	12.62	3.70	8.92
Social Services						
County Welfare Departments	4.37	—	4.37	8.46	—	8.46
Contracts	13.19	—	13.19	23.24	—	23.24
State support	1.08	—	1.08	1.96	—	1.97
Totals [a]	$164.69	$45.46	$119.23	$316.95	$87.53	$228.43

[a] Some columns and rows do not total due to rounding.

Positions Requested for Administration of the IRAP Program

We recommend that the Department of Social Services submit a plan to the Legislature prior to budget hearings, for coordinating the activities of the proposed IRAP positions.

The budget proposes 16.5 positions, limited to September 30, 1981 to administer an expanded federally funded IRAP program, at a cost of $515,276 in federal funds. Currently, the department has 7.5 authorized

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positions for administration of the IRAP program. In a letter dated January 18, 1980, submitted under the provisions of Section 28 of the 1979 Budget Act, the Director of Finance notified the Joint Legislative Budget Committee of her intention to establish the 16.5 new IRAP positions administratively during the current year in various bureaus within the Department of Social Services.

Of the 16.5 positions proposed in the budget and administratively established in the current year, 13.5 will manage contracts between the Department of Social Services and private agencies. The remaining three positions will augment existing staff for the administration of cash assistance programs delivered by county welfare departments. Table 13 details the assignments of the department's 24 IRAP positions.

Table 13
Proposed Organizational Location of Positions to Administer IRAP

	New Cash Assistance Staff	*New Contracts Management Staff*	*Existing IRAP Staff*	*Total Existing and Proposed Positions for IRAP*
Adult and family services division	0	3	6.5	9.5
Administration division				
Statistical Services Bureau	1.5	1.5	0	3
Contracts bureau	0	1	0	1
County fiscal administration bureau	0	5	0	5
Planning and review division				
Operations assessments and audits bureau	0	3	0	3
Welfare program operations division				
County adult program operations	1.5	0	1	2.5
Totals	3	13.5	7.5	24

Positions for Budget Year. The increase in IRAP funding will place new demands on the department in the budget year. For this reason, we recommend approval of the 16.5 limited-term positions. Our review indicates, however, that the department should identify more clearly how the activities of the new and existing positions will be centrally coordinated. It is our understanding that three deputy directors will have authority for various aspects of the assistance program, and three separate units will assign field representatives to the social services contractors. For these reasons, we recommend that the department submit a plan to the Legislature, prior to budget hearings, that (a) identifies the organizational unit within the department which will have overall responsibility for the program and (b) describes how IRAP activities will be coordinated.

Community Care Licensing

We withhold recommendation on the establishment of 55 new positions in the Community Care Licensing Division.

The budget proposes to establish 55 positions in the Community Care Licensing Division, at a General Fund cost of $1,399,108. Of these positions, 48 are requested for the Field Operations Branch and seven are requested for the Policy and Administrative Support and Client Protective Services Branches.

Request for Positions in the Field Operations Branch. The department's request for positions in the Field Operations Branch is based on (1) an increased number of facilities licensed by state staff and (2) implementation of procedures which increase the amount of time necessary to process licenses and maintain case files.

The request for these positions, as submitted to the Department of Finance by the Department of Social Services, was based on an unpublished workload study performed by the Department of Social Services. The workload standards established in this study subsequently were modified by the Department of Finance during its budget preparation process. Staff of the Departments of Finance and Social Services have been unable to clarify the analytical basis for the revised workload standard which was used as the basis for requesting 48 new positions.

Table 14 compares the annual number of facilities currently licensed per evaluator with the workload standards proposed by the Departments of Social Services and Finance.

Table 14
Alternative Annual Workload Standards for Facilities Evaluation and the Associated Need for New Staff
1980-81

	Day Care Facilities	*Residential Care Facilities*	*New Positions Required*
Current standard	180	90	8
Department of Social Services	117	68	109
Department of Finance	150	75	48

Current year proposal. The Department of Social Services advises that it has submitted a request to the Department of Finance to establish a portion of the positions in the Field Operations Branch during the current year. The Department of Social Services further advises that it intends to increase its request for field positions for this branch when its workload study is released.

We are unable to make a recommendation on the proposed 55 new positions for the Community Care Licensing Division because (1) we have no basis on which to evaluate the workload standard proposed by the Department of Finance, (2) the workload study conducted by the Department of Social Services has not yet been released, and (3) additional positions for the Client Protective Services and Policy and Administrative Support Branches cannot be evaluated separately from the staffing level authorized for the Field Operations Branch. Pending documentation of the workload standards forming the basis of this staffing request, we withhold recommendation on the 55 new positions.

AFDC CASH GRANTS—CONTROL SECTION 32.5

The Budget Bill does not contain an appropriation for the Aid to Families with Dependent Children (AFDC) program. This is because the Welfare and Institutions Code provides a continuous appropriation to finance cash grants to eligible children and their parents or guardians under the program. Control Section 32.5 of the Budget Bill, however, limits available

DEPARTMENT OF SOCIAL SERVICES—Continued

funds to a specified amount and permits the Director of Finance to increase the expenditure limit in order to provide for unanticipated caseload growth or other changes which increase expenditures for aid payments.

Proposed Expenditures

Control Section 32.5 of the 1980–81 budget proposes to limit General Fund expenditures to $1,195,372,200. In addition to these funds, Item 314 provides $5,455,400 from the General Fund for local costs mandated by the State's Legislative and Executive branches. Thus, the total General Fund cost for the AFDC grants in fiscal year 1980–81 is proposed at $1,200,827,600. This is an increase of $208,736,000, or 21.0 percent, over estimated 1979–80 expenditures.

Total expenditures from all funds for cash grants paid through Control Section 32.5 are proposed at $2,585,469,700, which is an increase of $479,388,000, or 22.8 percent, over estimated current-year expenditures. In addition to these funds, the budget includes federal funds of $62,005,900 in Item 311 for cash grants to Indochinese refugees who do not meet the eligibility requirements for existing welfare programs, but who will receive a grant amount equal to the AFDC payment level as the result of federal requirements.

Total expenditures from Control Section 32.5 and Items 311 and 314 are proposed at $2,647,475,600 in 1980–81, which is an increase of $509,910,900, or 23.9 percent, above the estimated current-year expenditures. Table 15 shows the total estimated expenditures for AFDC grants in 1979–80 and 1980–81.

Table 15

Total Expenditures for AFDC Grants

Funding	*Estimated 1979–80*	*Proposed 1980–81 Amount*	*Proposed 1980–81 Percent Increase*
Control Section 32.5			
Federal	$1,035,120,200	$1,289,749,100	24.6%
State	986,941,900	1,195,372,200	21.1
Prior law share	(690,121,300)	(837,511,100)	(21.4)
Fiscal relief	(296,820,600)	(357,861,100)	(20.6)
County	84,019,600	100,348,400	19.4
Subtotals	$2,106,081,700	$2,585,469,700	22.8
Item 314, Local Mandates			
Federal	—	—	—
State	$5,149,700	$5,455,400	5.9
County	−5,149,700	−5,455,400	—
Subtotals	—	—	—
Item 311, Indochinese Refugees			
Federal	$31,483,000	$62,005,900	97.0
State	—	—	—
County	—	—	—
Subtotals	$31,483,000	$62,005,900	97.0%
Totals	$2,137,564,700	$2,647,475,600	23.9%

Expenditures By Category of Recipient

Grant payments limited by Control Section 32.5 are provided to five categories of recipients, as shown in Table 16. Total payments for the family group component—typically a mother with one or more children—are proposed at $2,250.0 million for 1980–81, an increase of 22.5 percent over the current year. In addition, the budget proposes an expenditure of $264.2 million from all funds for cash grants to unemployed parents with dependent children. This is an increase of 27.6 percent over the current year. Finally, the budget proposes an expenditure of $188.2 million in 1980–81 for grants to children receiving foster care in boarding homes and institutions, which is an increase of 22.3 percent over the current year.

Proposed General Fund Budget Increases

Table 17 shows the changes in General Fund expenditures for the AFDC program proposed in the 1980–81 Governor's Budget. General Fund expenditures in the budget year will increase by $208,430,300 over estimated expenditures in the current year. This amount consists of $225,048,400 in increased expenditures and $16,618,100 in offsetting savings.

Most of the proposed increase—83 percent, or $172,146,200—is to provide a 14.65 percent cost-of-living increase for AFDC grants as required by statutes. Other significant increases include $36,418,400 due to a projected increase in basic caseload resulting from an economic recession; $1,860,100 due to a change in the method by which the costs for AFDC Foster Care program are claimed; and $2,646,300 due to several court cases.

AFDC Caseload

The budget projects that the AFDC caseload will increase by 80,584 persons, or 5.8 percent, in 1980–81 as shown in Table 18. This increase is significantly larger than increases in previous years, which have ranged between 1 percent and 2 percent. The increase is expected to result from the economic recession projected for 1980. Such a recession would increase unemployment and therefore expand the number of individuals receiving assistance under this program. The department indicates that these estimates are subject to change during the May revision, based on additional caseload data for the current fiscal year.

Cost-of Living Increases

State law requires that recipients of assistance under the AFDC-Family Group and Unemployed programs receive an annual cost-of-living increase on their grants effective July 1 of each year. The cost-of-living adjustment is based on the change in the consumer price indices for Los Angeles and San Francisco during the preceding calendar year. (The increase is measured from December to December.) During the current year (1979–80), cash grant amounts paid to these individuals were increased by 15.16 percent. This increase compensated for the increase in the consumer price indices during a two-year period (December 1976–December 1978) because no cost-of-living adjustment was provided in 1978–79.

The Governor's Budget proposes a 14.65 percent cost-of-living increase for AFDC grants for 1980–81. Because actual Consumer Price Index (CPI) data are not currently available for the entire calendar year 1979, this estimate is subject to change as part of the May revision of expenditures.

Table 16
Control Section 32.5
Expenditures for AFDC Grants by Category of Recipient
(in millions)

Recipient	*Estimated 1979–80*				*Proposed 1980–81*							
					Amount				*Percent Change*			
	Total	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*
Family group	$1,837.3	$926.6	$812.1	$98.6	$2,250.0	$1,141.9	$988.1	$120.0	22.5%	23.2%	21.7%	21.7%
Unemployed parent	207.0	101.5	94.1	11.4	264.2	137.8	112.7	13.6	27.6	35.8	19.8	19.3
Foster care	153.9	38.6	109.6	5.8	188.2	49.0	132.2	7.0	22.3	26.9	20.6	20.7
Aid for adoption of children	2.7	—	2.7	—	2.9	—	2.9	—	7.4	—	7.4	—
Child support incentive payments to counties	—	14.0	14.0	−28.1	—	17.7	16.2	−33.9	—	26.4	15.7	20.6
Child support collections from absent parents	−94.9	−45.6	−45.6	−3.7	−119.8	−56.7	−56.8	−6.4	26.2	24.3	24.6	73.0
Totals	$2,106.0	$1,035.1	$986.9	$84.0	$2,585.5	$1,289.7	$1,195.3	$100.3	22.8%	24.6%	21.1%	19.4%

Table 17
Control Section 32.5
Proposed General Fund Budget Increases
for AFDC Grants
1980–81

	Cost	*Total*
1979–80 Current Year Revised		$986,941,900
A. Baseline Adjustments		
1. Basic caseload increase		$36,418,400
2. Cost-of-living increase		
a. 1979–80 cost-of-living increase adjusted for caseload growth	$7,957,800	
b. 1980–81 cost-of-living increase	172,146,200	
Subtotals		$180,104,000
3. Court cases		
a. Garcia v. Swoap	2,349,000	
b. Youakim v. Miller	166,700	
c. Crosby v. Califano	22,600	
d. Castro v. Ventura	108,000	
Subtotals		$2,646,300
4. Regulations		
a. Overpayment/underpayment	−27,700	
b. Federal budgeting	845,900	
c. Elimination of passing grade	993,600	
d. Special needs	24,600	
e. AFDC-BHI supplement to SSI/SSP child	6,900	
f. Good Cause Regulations	9,800	
Subtotals		$1,853,100
5. AFDC—BHI direct cost claiming method		$1,860,100
6. Legislation		
a. Chapter 55, Statutes of 1978—AFDC-BHI 18–20	−9,600	
b. Chapter 1170 Statutes of 1979—overpayment recoupment	−441,300	
Subtotals		$−450,900
7. Reduced grant costs due to minimum wage increases		$−4,876,500
8. Effect of increased child support collections		$−11,290,700
9. Increased costs for child support incentive payments		$2,166,500
B. Total Budget Increase		($208,430,300)
C. Proposed 1980–81 expenditures		$1,195,372,200

Table 18
AFDC Average Monthly Persons Receiving Assistance

Program	*Estimated 1979–80*	*Estimated 1980–81*	*Percent Change*
AFDC family group	1,202,933	1,265,350	5.2%
AFDC unemployed	165,942	181,658	9.5
AFDC foster care	27,717	30,132	8.7
AFDC aid for adoption of children	1,798	1,834	2.0
Totals	1,398,390	1,478,974	5.8%

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 19 shows the proposed AFDC payment standards for selected family sizes for 1980–81. For example, if a 14.65 percent cost-of-living adjustment is provided, the grant for a family of two will increase by $48 from $331 in 1979–80 to $379 in 1980–81. The grant for a family of three will increase by $60, from $410 to $470.

Table 19
Maximum AFDC Grant Amounts for 1980–81
Assumes a Cost-of-Living Increase of 14.65 Percent

Family Size	*Estimated 1979–80*	*Proposed 1980–81*	*Change Amount*	*Change Percent*[a]
1	$201	$231	$30	14.92%
2	331	379	48	14.50
3	410	470	60	14.63
4	487	559	72	14.78

[a] Percentage changes does not equal 14.65 percent because the Welfare and Institutions Code requires that dollar amounts be rounded.

Historically, AFDC grant levels for children residing in foster care have been established by county boards of supervisors. On occasion, the counties adjusted the grant amounts without taking changes in the Consumer Price Index into consideration. As a resultof AB 8, AFDC foster care grants will be increased annually by the same percentage increase applied to grants for the AFDC-Family Group and Unemployed Programs. Counties may increase the foster care grants by more than this percentage, but they will have to fund the full cost of the larger increase.

Table 20 shows the total costs from all funds to provide a 14.65 percent cost-of-living increase for AFDC grants. In 1980–81 these costs are estimated at $368,583,500, of which the federal government pays $176,704,900, the state pays $172,146,200, and the counties pay $19,732,400.

Table 20
Cost-of-Living Expenditures for AFDC Grants
1980–81

Cost-of-Living Increases	*Total*	*Federal*	*State*	*County*
Family group and unemployed	$345,021,100	$170,226,900	$155,916,000	$18,878,200
Foster care	23,562,400	6,478,000	16,230,200	854,200
Totals	$368,583,500	$176,704,900	$172,146,200	$19,732,400

Cost-of-Living Increases for AFDC Recipients

We recommend enactment of legislation which would provide for the cost-of-living adjustment to AFDC grants through the annual budget process rather than automatically through statute.

Background. Each month recipients of assistance under the Aid to Families with Dependent Children (AFDC) program receive a payment consisting of two components: (1) the basic grant and (2) the cost-of-living adjustment. The basic grant represents the cost of obtaining necessary living needs such as food, clothing, shelter and utilities. State law requires that the basic grant amount be adjusted annually to reflect changes in the cost-of-living. The purpose of the cost-of-living adjustment is to help the purchasing power of welfare recipient grants keep pace with the rising costs of food, shelter, transportation and other necessities of life.

Table 21 shows the increase in the AFDC grant for a family of three from 1972–73 through 1980–81. During this nine-year period, the grant amount has increased at an average annual rate of 8.1 percent.

Table 21
AFDC Grant Increases for a Family of Three
1972–73 to 1980–81

	Grant Amount	*Percent Increase*
1972–73	$237	0.9%
1973–74	243	2.5
1974–75	262	7.8
1975–76	293	11.8
1976–77		
July-December 1976	319	8.9
January-June 1977	338	6.0[a]
1977–78	356	5.3
1978–79	356	—[b]
1979–80	410	15.2
1980–81 (Estimated)	470	14.6%

[a] Grant amounts increased by 6 percent effective January 1, 1977, as a result of Chapter 348, Statutes of 1976 (AB 2601).
[b] Cost-of-living increase suspended for one year.

Our analysis indicates that the current statutory requirement to provide an automatic cost-of-living increase to AFDC recipients should be modified.

Lack of Legislative Flexibility in Setting Spending Priorities. Because there is a statutory requirement to provide an annual cost-of-living adjustment to various cash assistance payments, the Legislature's flexibility is limited in setting spending priorities for the state as a whole. Specifically, increased expenditures of approximately $511 million from the General Fund in 1980–81 ($172.1 million for the AFDC program and $338.9 million for the SSI/SSP program) will not be subject to the Legislature's control through the budget process because these increases are required by statute.

DEPARTMENT OF SOCIAL SERVICES—Continued

Table 22 shows that much of the growth in the AFDC and SSI/SSP programs is currently outside the control of the Legislature. The table shows that state expenditures for the AFDC program for 1980–81 are proposed to increase by $208.5 million over estimated expenditures for 1979–80. Of this amount, $172.1 million, or 83 percent, is due to the cost-of-living increase and the remaining 17 percent is due to caseload and other adjustments. In the SSI/SSP program, state expenditures are estimated to increase by $222.4 million over estimated 1979–80 expenditures. Cost-of-living adjustments, however, will total $338.9 million. (The cost-of-living increase of $338.9 million is offset by (a) increases in recipient unearned income—for example, Social Security benefits—which reduces grant expenditures and (b) other adjustments totaling $116.5 million.)

Table 22
State Expenditures for AFDC and SSI/SSP Grants
(in millions)

Program	*Estimated 1979–80*	*Proposed 1980–81*	*Proposed Amount of Increase*	*Expenditures for Cost-of-Living Increase*	
				Amount	*Percent*
AFDC	$986.9	$1,195.4	$208.5	($172.1)	82.5%
SSI/SSP	1,087.9	1,310.3	222.4	(338.9)	152.4

While the Legislature can limit expenditures under Control Section 32.5 to less than the amount required to provide for the statutory cost-of-living increase (as it did in the 1979 Budget Act) this does not change the state's obligation to provide these increases. Consequently, such action serves to increase the likelihood that a deficiency will arise requiring further executive or legislative action.

Effect on County Appropriations Under Article XIIIB of the Constitution. It is possible that in the future an automatic cost-of-living increase in the AFDC program could require counties to curtail appropriations in other areas due to the provisions of Article XIIIB of the state constitution (added by Proposition 4 on the November 1979 ballot).

Article XIIIB limits the amount of funds that the state and local governments may appropriate from the proceeds of taxes. The Legislative Counsel has issued an opinion holding that appropriations for the AFDC program probably would be treated as "proceeds of taxes" at the local level and thus would count against the counties' appropriation limits.

If, in the future, costs for this program grow at rates which are higher than the rates used to adjust the appropriations limit for local governments, counties might be forced to curtail the growth of other types of appropriations.

(More information on the effects of Article XIIIB may be found in our report entitled "An Analysis of Proposition 4, the Gann 'Spirit of 13' Initiative," (December 1979).)

For illustration purposes, Table 23 compares the percentage increase in appropriations allowed under Article XIIIB for 1980–81 with the proposed percentage increase in the nonfederal share of costs for the AFDC program. Assuming that the population of a county increases by 1.7 percent and per capita income increases by 10.5 percent, county appropriations could increase by 12.4 percent in 1980–81 over its 1979–80 appropriation limit. However, the county would have to increase its appropriation for the AFDC program by 21 percent, assuming a 14.65 percent cost-of-living adjustment and a 5.8 percent caseload increase. As a result, the county would have to hold the growth in other expenditures below 12.4 percent if it were already at its appropriation limit, in order to comply with the limits imposed by Article XIIIB.

Table 23
Comparison of the Appropriation Adjustments Under Article XIIIB and Growth in AFDC Appropriations

Article XIIIB[a]	*Percent Change for 1980–81*
Cost of living:	
U.S. CPI	12.8%
State per capita personal income	10.5
Population	1.7
Percentage Limit for Appropriations[b]	12.4%[c]
Growth in AFDC Appropriation	*21.0%*

[a] Contained in our report "An Analysis of Proposition 4", issued in December 1979.

[b] Combination of the percentage change in state per capita personal income and population. State per capita personal income was applied instead of the U.S. CPI because Article XIIIB requires that the lesser of these two factors be used when calculating the appropriation limit.

[c] Percentage increase in State per capita personal income (10.5 percent) and population (1.7 percent) do not add to appropriation limit (12.4 percent) due to compounding.

Problems in Measuring Inflation The most popular way of measuring inflation is to use the Consumer Price Index (CPI). The CPI is a statistical device which records changes over time in the cost of a defined "market basket" of goods and services. The market basket includes food, housing, clothing, transportation, medical care, entertainment and other categories.

DEPARTMENT OF SOCIAL SERVICES—Continued

The Bureau of Labor Statistics has constructed two CPI "market baskets." One market basket is based on the consumption behavior of all urban area residents and represents about 80 percent of the nation's households. The other is based on the purchasing habits of only wage and clerical workers in urban areas and represents only 40 to 50 percent of all households.

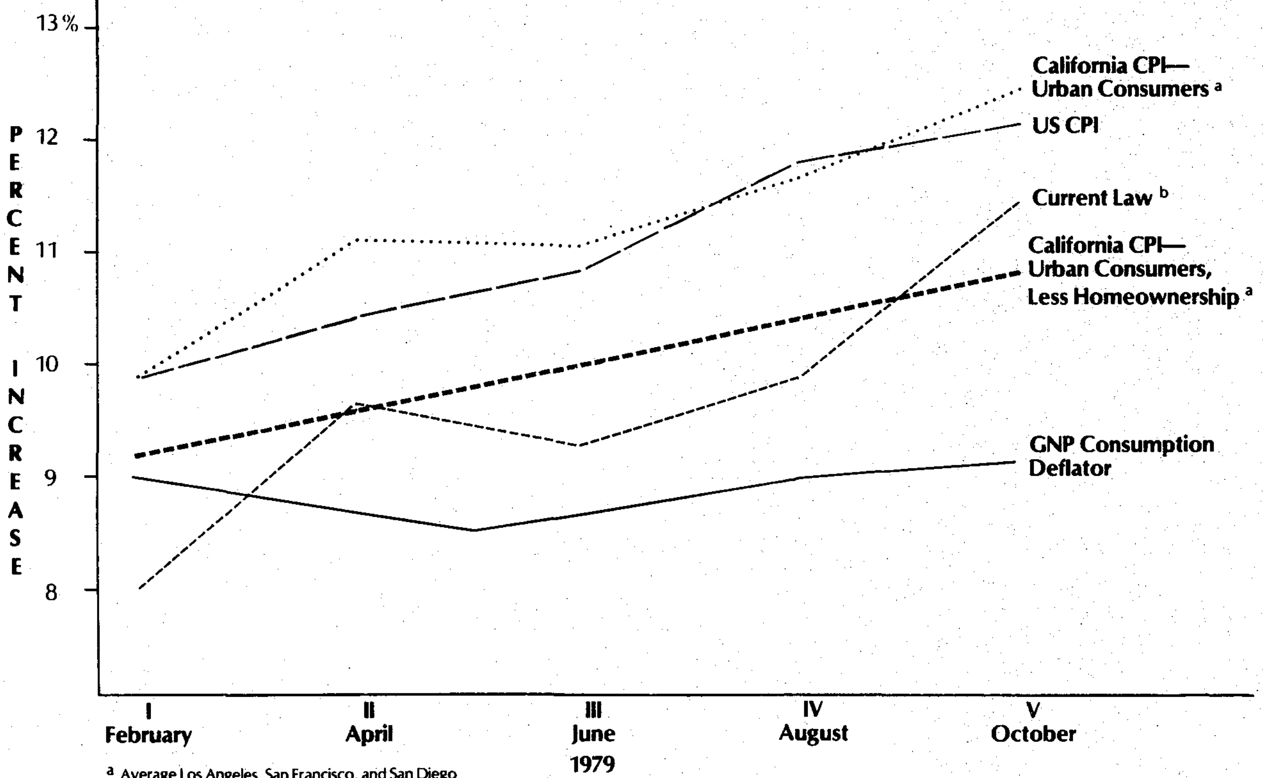
Our analysis suggests that there are several problems with using these indices for determining the impact of inflation on welfare recipients. First, there is currently no specific index which measures the impact of inflation on the goods and services typically purchased by welfare recipients. As a substitute, existing law uses the average change in the "market basket" of goods and services purchased by urban wage and clerical workers in the San Francisco and Los Angeles areas. However, welfare recipients do not have the same purchasing patterns or face the same price pressures as wage earners and clerical consumers. For example, the index includes the impact of increased costs for items which many AFDC recipients do not purchase. Specifically, almost one-quarter of the total expenditures measured by the index is for homeownership, although most AFDC recipients are renters and do not purchase homes.

Second, the CPI can overstate the rate of inflation faced by the average consumer because it does not measure changes in consumption patterns which occur during periods of high inflation. This is a particularly serious problem during periods of rapid inflation when consumers tend to shift away from purchasing goods exhibiting the largest price increases to goods that are not going up in price to the same extent. For example, when gasoline prices increase and consumers cut back on their use of automobiles, the index does not adjust for this change.

There are several alternatives to using a Consumer Price Index to measure "inflation." One alternative is the Gross National Product (GNP) Consumption Deflator published by the U.S. Department of Commerce. This index more nearly reflects the actual increases in prices paid by the average consumer because it allows for changes in consumption patterns, and treats housing costs in a way which avoids the bias of only counting new home purchases. In addition to the GNP consumption deflator, it is possible to adjust one of the existing indices to exclude an item (such as housing) which does not measure increases borne by the consumer.

Third, Chart 6 shows that the rate of "inflation" varies substantially depending on which index is used to measure the change in prices. This chart compares the quarterly percentage change in prices between 1978 and 1979 and shows that as of October 1979:

Chart 6
Alternative Methods of Measuring the Rate of Inflation
(Percentage Change from 1978 to 1979)



[a] Average Los Angeles, San Francisco, and San Diego
[b] California CPI—Wage Earners and Clerical Workers, Average Los Angeles and San Francisco

DEPARTMENT OF SOCIAL SERVICES—Continued

1. The index with the highest rate of increase was the California CPI for urban consumers which increased by 12.5 percent.
2. If homeownership is excluded from the California CPI for urban consumers, prices rose 10.8 percent, instead of 12.5 percent.
3. The GNP consumption deflator had the lowest rate of increase at 9.1 percent.
4. The California CPI for wage earners and clerical workers for Los Angeles and San Francisco (current law) increased by 11.3 percent.

Table 24 shows the General Fund costs which would result from using various measures of inflation to adjust cash grant levels. In constructing the table, we have measured the change in prices from October 1978 to October 1979, the most recent period for which comparable data are available. Consequently, the rates of inflation and General Fund costs are different from those shown in the Governor's Budget which it uses estimates of change from December 1978 to December 1979.

Table 24
General Fund Expenditures for AFDC Cost-of-Living Increases Using Various Consumer Price Indices and the GNP Consumption Deflator Change from October 1978 to October 1979

Alternative Measures of Inflation	*Percent Increase*	*General Fund (in millions)*
California CPI—Urban Consumers [a]	12.5%	$147.8
U.S. CPI	12.2	144.3
Current Law [b]	11.3	133.3
California CPI—Urban consumers (less homeownership) [a]	10.8	127.2
GNP Consumption Deflator	9.1	107.8

[a] Average Los Angeles, San Francisco, San Diego
[b] California CPI wage earners and clerical workers. Average for Los Angeles and San Francisco

Alternative Approach to Providing Cost-of-Living Increases. Our analysis suggests that the statutory requirements to provide an annual cost-of-living adjustment limits the Legislature's ability to set spending priorities. Moreover, if funds for the AFDC program are subject to limitations at the county level, rapid growth in this program could automatically require counties to curtail the growth in spending in other priority areas.

Because of these factors, we recommend that legislation be enacted to allow the Legislature to grant cost-of-living increases through the annual budget process rather than automatically through statute. *We are not recommending that welfare recipients be denied cost-of-living increases.* Rather, we are recommending that the Legislature give itself more flexibility in setting spending priorities for the state by considering cost-of-living adjustments in the budget process.

The Legislature may wish to use one of several cost-of-living indices when deciding how much to adjust cash grant levels. We recommend that the Legislature use an index which excludes the impact of increased costs for items which AFDC recipients generally do not purchase (for example, homeownership). Alternatively, the Legislature may wish to use one of the cost-of-living factors provided for under Article XIIIB (the U.S. CPI or state per capita personal income). While these measures may not directly reflect the impact of increased costs of goods and services on welfare recipients in California, they would allow for program growth within the limits set by Article XIIIB.

Department of Social Services

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED

Item 310 from the General Fund — Budget p. HW 149

Requested 1980–81	$1,310,291,600
Estimated 1979–80	1,087,876,000
Actual 1978–79	891,020,326
Requested increase $222,415,600 (+20.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. SSI/SSP Cost-of-Living. Recommend enactment of legislation which would provide for the cost-of-living adjustment to SSI/SSP grants through the annual budget process rather than automatically through statute.	892

GENERAL PROGRAM STATEMENT

The Supplemental Security Income/State Supplementary Payment (SSI/SSP) program is a federally-administered program under which eligible aged, blind and disabled persons receive financial assistance. It be-

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED—Continued

gan on January 1, 1974, when the federal Social Security Administration assumed responsibility for administration of the cash grant program which provides assistance to California's eligible aged, blind and disabled. Prior to that, California's 58 county welfare departments administered a joint federal-state-county program which provided cash assistance to these recipients. The federal and state governments share the grant costs of the SSI/SSP program. The federal government pays the cost of the SSI grant and the state pays the cost of the SSP grant.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $1,310,291,600 from the General Fund for the state share of the SSI/SSP program in 1980–81. This is an increase of $222,415,600, or 20.4 percent, over estimated current year expenditures. The appropriation includes $234,207,300 for the county share of costs which the state assumed pursuant to Chapter 282, Statutes of 1979 (AB 8). Federal expenditures of $792,985,100 are proposed for 1980–81, an increase of $90,908,600, or 12.9 percent, over estimated current year expenditures.

Total expenditures of $2,103,276,700 are proposed for the SSI/SSP program for 1980–81, as shown in Table 1. This is an increase of $313,324,200, or 17.5 percent, over estimated current year expenditures.

Table 1
Total Expenditures for the SSI/SSP Program
1979–80 and 1980–81

	Estimated 1979–80	*Proposed 1980–81*	*Change From 1979–80* *Amount*	*Percent*
Federal	$702,076,500	$792,985,100	$90,908,600	12.9%
State	1,087,876,000	1,310,291,600	222,415,600	20.4
Prior law share	(880,979,100)	(1,076,084,300)	(195,105,200)	22.1
Fiscal relief	(206,896,900)	(234,207,300)	(27,310,400)	13.2
County	—	—	—	—
Totals	$1,789,952,500	$2,103,276,700	$313,324,200	17.5%

Expenditures by Category of Recipients

Grant payments in the SSI/SSP program are made to three general categories of recipients as shown in Table 2. Total grant expenditures to aged recipients are proposed at $760,977,200, an increase of 17.6 percent above estimated current year expenditures. In addition, the budget proposes to spend $1,279,728,500 from all funds for cash grants for disabled recipients. This is an increase of $190,810,300, or 17.5 percent, over the current year. The budget also proposes to spend $62,571,000 for cash grants for blind recipients, an increase of 16.6 percent over the current year.

Proposed General Fund Budget Increases

Table 3 shows the proposed changes in the General Fund expenditures for the SSP program. The General Fund increase of $222,415,600 in 1980–81 consists of $356,505,300 in increased costs and $134,089,700 in offsetting

Table 2
Expenditures for SSI/SSP Grants by Category of Recipient
1979–80 and 1980–81

	Estimated 1979–80			*Proposed 1980–81*			*Percent Change From 1979–80*		
Recipient	*Total*	*Federal*	*State*	*Total*	*Federal*	*State*	*Total*	*Federal*	*State*
Aged	$647,352,200	$191,118,400	$456,233,800	$760,977,200	$212,744,200	$548,233,000	17.6%	11.3%	20.2%
Blind	53,682,100	19,279,600	34,402,500	62,571,000	21,542,300	41,028,700	16.6	11.7	19.3
Disabled	1,088,918,200	491,678,500	597,239,700	1,279,728,500	558,698,600	721,029,900	17.5	13.6	20.7
Totals	$1,789,952,500	$702,076,500	$1,087,876,000	$2,103,276,700	$792,985,100	$1,310,291,600	17.5%	12.9%	20.4%

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED—Continued

savings. The major cost increases include (a) $262,690,500 to provide a cost-of-living increase for the SSP grant based on a 14.65 percent change in the Consumer Price Index and (b) $76,200,100 to pass on the federal cost-of-living increase for the SSI grant. These costs are offset by an increase of $133,680,700 in the unearned income of SSI/SSP recipients which reduces the total amount for grant payments by the same amount.

Table 3
Proposed General Fund Budget Changes
1980–81

	Cost	*Total*
1979–80 Current Year Revised		$1,087,876,000
A. Baseline adjustments		
1. Basic caseload increase		$12,491,600
2. Cost-of-living increase		$344,013,700
a. 1979–80 increase adjusted for caseload growth	$5,123,100	
b. 1980–81 increase on the SSP grant	$262,690,500	
c. 1980–81 cost to the state of passing on the federal SSI cost-of-living increase	$76,200,100	
3. Nonrecurring cost		$−409,000
4. Reduced grant costs due to increased recipient unearned income		$−133,680,700
a. 1979–80 increase adjusted for caseload	$−1,359,700	
b. 1980–81 increase	$−132,321,000	
B. Total Budget Increase		($222,415,600)
C. Proposed General Fund Expenditures		$1,310,291,600

Caseload

The Budget projects that the caseload for the SSI/SSP program will increase by 13,776 persons, or 2.0 percent, as shown in Table 4. These projections are subject to change during the May revision of expenditures.

Table 4
SSI/SSP Average Monthly Persons Receiving Assistance
1979–80 and 1980–81

Program	*Estimated 1979–80*	*Proposed 1980–81*	*Change From 1979–80 Persons*	*Change From 1979–80 Percent*
Aged	317,771	322,500	4,729	1.5%
Blind	17,229	17,358	129	0.7%
Disabled	366,924	375,842	8,918	2.4%
Totals	701,924	715,700	13,776	2.0%

Cost-of-Living Increase

Current law requires cash grants for SSI/SSP recipients to be increased annually to compensate for increases in the cost-of-living. The federal government provides a cost-of-living increase for the SSI grant based on the change in the U.S. Consumer Price Index (CPI). In addition, the state provides a cost-of-living adjustment for the SSP grant, based on the change in the consumer price indices for Los Angeles and San Francisco.

The federal government is proposing to increase the SSI grant by 13.3 percent for 1980–81. The SSP grant increase will be based on a 14.65

percent change in the Consumer Price Index. The SSP grant will actually increase more than 14.65 percent over the current-year level because of the method prescribed by state law for calculating cost-of-living increases.

Table 5 shows the maximum SSI/SSP grant payments for selected recipient categories for 1979–80 and 1980–81. It is estimated that the grant for an aged or disabled individual will increase by $60 from $356 in the current year to $416 in the budget year. During the same period, the grant for an aged or disabled couple will increase by $106 from $660 to $766.

Table 5
Maximum SSI/SSP Grant Levels
1979–80 and 1980–81

			Change From 1979–80	
Aged/Disabled Individual	*Estimated 1979–80*	*Proposed 1980–81*	*Amount*	*Percent*
Totals	$356.00	$416.00	$60.00	16.9%
SSI	(208.20)	(235.90)	(27.70)	13.3
SSP	(147.80)	(180.10)	(32.30)	21.9
Aged/Disabled Couple				
Totals	660.00	766.00	106.00	16.1
SSI	(312.30)	(353.90)	(41.60)	13.3
SSP	(347.70)	(412.10)	(64.40)	18.5
Blind Individual				
Totals	399.00	465.00	66.00	16.5
SSI	(208.20)	(235.90)	(27.70)	13.3
SSP	(190.80)	(229.10)	(38.30)	20.1
Blind Couple				
Totals	776.00	894.00	118.00	15.2
SSI	(312.30)	(353.90)	(41.60)	13.3
SSP	(463.70)	(540.10)	(76.40)	16.5%

Table 6 shows the total expenditures from all funds for the SSI/SSP cost-of-living adjustment for 1980–81. Total expenditures are estimated at $486,419,400, of which the federal government will pay $147,528,800 and the state will pay $338,890,600. The state costs consist of two components: (1) the increased cost for the SSP grant ($262,690,500) and (2) the cost of passing on the federal cost-of-living increase on the SSI grant ($76,200,100). (Current law requires the state to pass on federal cost-of-living increases on the SSI grant to all SSI/SSP recipients. Under federal requirements, recipient countable income—for example, social security benefits—is applied first to reduce the SSI portion of the grant. As a result, the state pays the full cost of providing the SSI increase to the remaining SSP recipients who have income above the SSI grant level and therefore do not qualify for SSI benefits.)

Table 6
Cost-of-Living Expenditures for SSI/SSP Grants
1980–81

SSI/SSP Program	*Cost*
Federal Funds:	
SSI Cost-of-Living	$147,528,800
General Fund:	$338,890,600
SSP cost-of-living increase	(262,690,500)
Cost for passing on the federal cost-of-living increase	(76,200,100)
Total, SSI/SSP	$486,419,400

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED—Continued

Federal Revenue Sharing Funds

Budget Bill language in Item 485 specifies that $276,200,000 shall be appropriated from the Federal Revenue Sharing Fund to the General Fund to finance part of the state's cost of the SSP program. Language in Item 310 (the SSP appropriation) specifies that the revenue sharing funds will be expended prior to the expenditure of the remaining $1,034,091,600 from the General Fund, appropriated in that item.

Cost-of-Living Increases for SSI/SSP Recipients

We recommend enactment of legislation which would provide for the cost-of-living adjustment to SSI/SSP grants through the annual budget process rather than automatically through statute.

Background. Each month, recipients of assistance receive from the federal government a single monthly check covering the federal grant payment for SSI and the state grant payment for SSP. Both the SSI and SSP grants consist of a basic grant amount and a statutorily set cost-of-living factor which increases the basic grant annually. The basic grant represents the cost of obtaining necessary living needs, such as food, clothing, shelter and utilities. The purpose of the cost-of-living adjustment is to help the purchasing power of grants to SSI/SSP recipients keep pace with the rising costs of food, shelter, transportation and other necessities of life.

The cost-of-living increase on the federal SSI grant is based on the percentage change in the U.S. Consumer Price Index. The cost-of-living increase on the state SSP grant is based on the average percentage change in the separate consumer price indices for Los Angeles and San Francisco.

Table 7 shows the increase in SSI/SSP grants for an aged or disabled individual from the beginning of this program in January 1974 through 1980–81. During this seven-year period, the SSI/SSP grant increased annually at a rate of 8.6 percent.

Table 7
SSI/SSP Grant Increases for an Aged Individual
January 1974 to 1980–81

	Total SSI/SSP Grant	*Percent Increase*
January–June 1974	$235.00	—
1974–75	235.00	—
1975–76	259.00	10.2%
1976–77	276.00	6.6
1977–78	296.00	7.2
1978–79	307.60	3.9 [a]
1979–80	356.00	15.7
1980–81	416.00	16.9

[a] Reflects the effect of the SSI cost-of-living increase for 1978–79. The SSP cost-of-living increase was suspended except for July and August 1978 when the total grant payment for an aged individual was $322.

The budget estimates that under current law, the SSP grant will be increased on the basis of a 14.65 percent change in the consumer price indices for Los Angeles and San Francisco and the SSI grant will be increased by 13.3 percent. These estimates are subject to change during the May revision of expenditures when actual Consumer Price Index data will be available.

Our analysis indicates that the current statutory requirement to provide an automatic cost-of-living increase to SSI/SSP recipients should be modified.

Lack of Legislative Flexibility in Setting Spending Priorities. Because there is a statutory requirement to provide an annual cost-of-living adjustment to various cash assistance payments, the Legislature's flexibility is limited in setting spending priorities for the state as a whole. Specifically, increased expenditures of approximately $511 million from the General Fund in 1980–81 ($172.1 million for the AFDC program and $338.9 million for the SSI/SSP program) will not be subject to the Legislature's control through the budget process because these increases are required by statute.

Table 8 shows that much of the growth in the AFDC and SSI/SSP programs is currently outside the control of the Legislature. The table shows that state expenditures for the AFDC program for 1980–81 are proposed to increase by $208.5 million over estimated expenditures for 1979–80. Of this amount, $172.1 million, or 83 percent, is due to the cost-of-living increase and the remaining 17 percent is due to caseload and other adjustments. In the SSI/SSP program, state expenditures are estimated to increase by $222.4 million over estimated 1979–80 expenditures. Cost-of-living adjustments, however, will total $338.9 million. (The cost-of-living increase of $338.9 million is offset by (a) increases in recipient unearned income—for example, Social Security benefits—which reduces grant expenditures and (b) other adjustments totaling $116.5 million.)

Table 8
State Expenditures for AFDC and SSI/SSP Grants
(in millions)

Program	Estimated 1979–80	Proposed 1980–81	Proposed Amount of Increase	Expenditures for Cost-of-Living Increase: Amount	Expenditures for Cost-of-Living Increase: Percent
AFDC	$986.9	$1,195.4	$208.5	($172.1)	82.5%
SSI/SSP	1,087.9	1,310.3	222.4	(338.9)	152.4

Effect on State Appropriations Under Article XIIIB of the Constitution. It is possible that in the future an automatic cost-of-living increase in the SSP program could require the state to curtail appropriations in other areas due to the provisions of Article XIIIB of the state constitution (added by Proposition 4 on the November 1979 ballot).

Article XIIIB limits the amount of funds that the state and local governments may appropriate from the proceeds of taxes. The Legislative Counsel has issued an opinion holding that appropriations for the SSP program count toward the state's appropriation limit.

If, in the future, costs for this program grow at rates which are higher than the rates used to adjust the appropriations limit, the state might be forced to curtail the growth of other types of appropriations.

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED—Continued

(More information on the effects of Article XIIIB may be found in our report entitled "An Analysis of Proposition 4, the Gann 'Spirit of 13' Initiative," (December 1979).)

For illustration purposes, Table 9 compares the percentage increase in appropriations allowed under Article XIIIB for 1980–81, with the proposed percentage increase in the state share of costs for the SSP program. Assuming that the population of the state increases by 1.7 percent and per capita income increases by 10.5 percent, state appropriations could grow by 12.4 percent in 1980–81 over the 1979–80 appropriation level. However, because of the statutory cost-of-living increase, the funds appropriated by the state for the SSP program must increase by 20.4 percent. As a result, the state would have to hold the growth in other expenditures below 12.4 percent if it were already at its appropriation limit, in order to comply with the limits imposed by Article XIIIB.

Table 9
Comparison of the Appropriation Adjustment Under Article XIIIB and Growth in SSP Appropriations
1980–81

Article XIIIB [a]	*Percent Change for 1980–81*
Cost of living:	
U.S. CPI	12.8%
or	
State per capita personal income	10.5
Population	1.7
Percentage limit for appropriation [b]	12.4 [c]
Growth in SSP appropriation	*20.4%*

[a] Estimates contained in our report "Analysis of Proposition 4", issued December 1979.
[b] Combination of the percentage change in state per capita personal income and population. State per capita personal income was applied instead of U.S. CPI because Article XIIIB requires that the lesser of these two factors be used when calculating th appropriation limit.
[c] Percentage increase in state per capita personal income (10.5 percent) and population (1.7 percent) do not add to the appropriation limit (12.4 percent) due to compounding.

Problems with the Current Formula Used to Calculate Cost-of-Living Grant Increases. There are several problems with the current method used to calculate cost-of-living adjustments for SSI/SSP recipients.

1. *SSI/SSP Cost-of-Living Adjustment Does not Reflect the Change in the Consumer Price Index.* Under current law, the cost-of-living increase for the SSP grant is obtained by applying the change in the Consumer Price Index against inflated base amounts which are set in statute. As a result, the total SSI/SSP payment and the SSP portion of the grant increase annually at a rate greater than the rate of inflation as measured by the Consumer Price Index. This is illustrated in Table 10, which compares the change in the SSI/SSP grant for an aged person for 1980–81 with the changes in the consumer price indices for Los Angeles and San Francisco. The table shows that the total SSI/SSP grant will increase 16.9 percent and the SSP grant will increase 21.9 percent, even though the combined consumer price indices rose only 14.7 percent between December 1978 and December 1979 (the period used to determine the cost-of-living adjustment).

Table 10
SSI/SSP Grant for An Aged Individual
1979–80 and 1980–81

	Total SSI/SSP Grant		*SSI Grant*		*SSP Grant*		*Change in Consumer Price Index*[a]	
	Amount	*Percent Change*	*Amount*	*Percent Change*	*Amount*	*Percent Change*	*Percent Change*	*Period*
1979–80	$356.00	—	$208.20	—	$147.80	—	—	—
1980–81	416.00	16.9%	235.90	13.3%[b]	180.10	21.9%	14.7%	12-79/ 12-78

[a] Reflects the change in the average of the indices for Los Angeles and San Francisco.
[b] Reflects the federal cost-of-living adjustment for the SSI grant. The federal cost-of-living adjustment is based on the change in the U.S. CPI from the January–March 1979 quarter to the January–March 1980 quarter, which is estimated to increase by 13.3 percent.

Thus, under the current method used to calculate the cost-of-living increase, the SSP grant will increase 49 percent more than the change in the consumer price indices used to determine the cost-of-living adjustment (21.9 percent SSP cost-of-living increase ÷ 14.7 percent change in CPI = 49 percent difference).

2. *Disparity in the Cost-of-Living Adjustment Provided AFDC Recipients.* The cost-of-living formula used for calculating the SSI/SSP grant results in a difference between the inflation adjustment provided AFDC recipients and that provided SSI/SSP recipients. Table 11 compares the change in the grant level of one AFDC recipient with that of an aged SSI/SSP recipient for 1980–81. It shows that the total SSI/SSP grant will increase by 16.9 percent while the grant level for an AFDC recipient will increase by 14.9 percent or an increase approximately equal to the change in the Consumer Price Index.

Table 11
Grant Levels for an Aged Individual Receiving SSI/SSP and One Person Receiving AFDC
1979–80 and 1980–81

	Aged SSI/SSP Recipient		*One Person AFDC Recipient*		*Change in Consumer Price Index*	
	Grant	*Percent Change*	*Grant*	*Percent Change*	*Percent Change*	*Period*
1979–80	$356.00	—	$201.00	—	—	-
1980–81	416.00	16.9%	231.00	14.9%	14.7%	12-79/ 12-78

If the current method of calculating the cost-of-living increase was modified so that the change in the Consumer Price Index was applied against the total grant (as is done in adjusting AFDC grants), the grant for an aged individual in 1980–81 would be $408 per month, as shown in Table 12. This method would provide a 14.6 percent cost-of-living increase instead of a 16.9 percent increase, and therefore would more accurately reflect the increase in the Consumer Price Index. Because the grant amount would be $8 less than the amount provided under current me-

STATE SUPPLEMENTARY PAYMENT PROGRAM FOR THE AGED, BLIND AND DISABLED—Continued

thodology, it would result in a savings of $54.2 million to the General Fund in 1980–81. The revised methodology would result in a General Fund savings of $701,828,700 over a five year period.

Table 12
Grant Levels for an Aged Individual Receiving SSI/SSP
1979–80 and 1980–81

	Current Law Method		*Alternative Method*		*Change in Consumer Price Index*	
	Grant	*Percent Change*	*Grant*	*Percent Change*	*Percent Change*	*Period*
1979–80	$356	—	$356	—	—	—
1980–81	416	16.9%	408	14.6%	14.7%	12-79/ 12-78

Problems in Measuring Inflation. The most popular way of measuring inflation is to use the Consumer Price Index (CPI). The CPI is a statistical device which records changes over time in the cost of a defined "market basket" of goods and services. The market basket includes food, housing, clothing, transportation, medical care, entertainment and other categories.

The Bureau of Labor Statistics has constructed two CPI "market baskets." One market basket is based on the consumption behavior of all urban area residents and represents about 80 percent of the nation's households. The other is based on the purchasing habits of only wage and clerical workers in urban areas and represents only 40 to 50 percent of all households.

Our analysis suggests that there are several problems with using these indices for determining the impact of inflation on welfare recipients. First, there is currently no specific index which measures the impact of inflation on the goods and services typically purchased by welfare recipients. As a substitute, existing law uses the average change in the "market basket" of goods and services purchased by urban wage and clerical workers in the San Francisco and Los Angeles areas. However, welfare recipients do not have the same purchasing patterns or face the same price pressures as wage earners and clerical consumers. For example, the index includes the impact of increased costs for items which many SSI/SSP recipients do not purchase. Specifically, almost one-quarter of the total expenditures measured by the index is for homeownership, although most SSI/SSP recipients are renters and do not purchase homes.

Second, the CPI can overstate the rate of inflation faced by the average consumer because it does not measure changes in consumption patterns which occur during periods of high inflation. This is a particularly serious problem during periods of rapid inflation when consumers tend to shift away from purchasing goods exhibiting the largest price increases to goods that are increasing at a slower rate. For example, when gasoline prices increase and consumers cut back on their use of automobiles, the index does not adjust for this change.

There are several alternatives to using a Consumer Price Index to measure "inflation." One alternative is the Gross National Product (GNP) Consumption Deflator published by the U.S. Department of Commerce. This index more nearly reflects the actual increases in prices paid by the average consumer because it allows for changes in consumption patterns, and treats housing costs in a way which avoids the bias of only counting new home purchases. In addition to the GNP Consumption Deflator it is possible to adjust one of the existing indices to exclude an item (such as housing) which does not measure increases borne by the consumer.

Third, Chart 1 shows that the rate of "inflation" varies substantially depending on which index is used to measure the change in prices. This chart compares the quarterly percentage change in prices between 1978 and 1979 and shows that as of October 1979:

1. The index with the highest rate of increase was the California CPI for urban consumers which increased by 12.5 percent.
2. If homeownership is excluded from the California CPI for urban consumers, prices rose 10.8 percent, instead of 12.5 percent.
3. The GNP consumption deflator had the lowest rate of increase at 9.1 percent.
4. The California CPI for wage earners and clerical workers for Los Angeles and San Francisco (current law) increased by 11.3 percent.

Table 13 shows the General Fund costs which would result from using various measures of inflation to adjust cash grant levels. In constructing the table, we have measured the change in prices from October 1978 to October 1979, the most recent period for which comparable data are available. In addition, we have assumed that the current method of calculating cost-of-living increases has been modified so that the change in the CPI is applied against the total SSI/SSP grant. Consequently, the rates of inflation and General Fund costs are different from those shown in the Governor's Budget which uses estimates of change from December 1978 to December 1979.

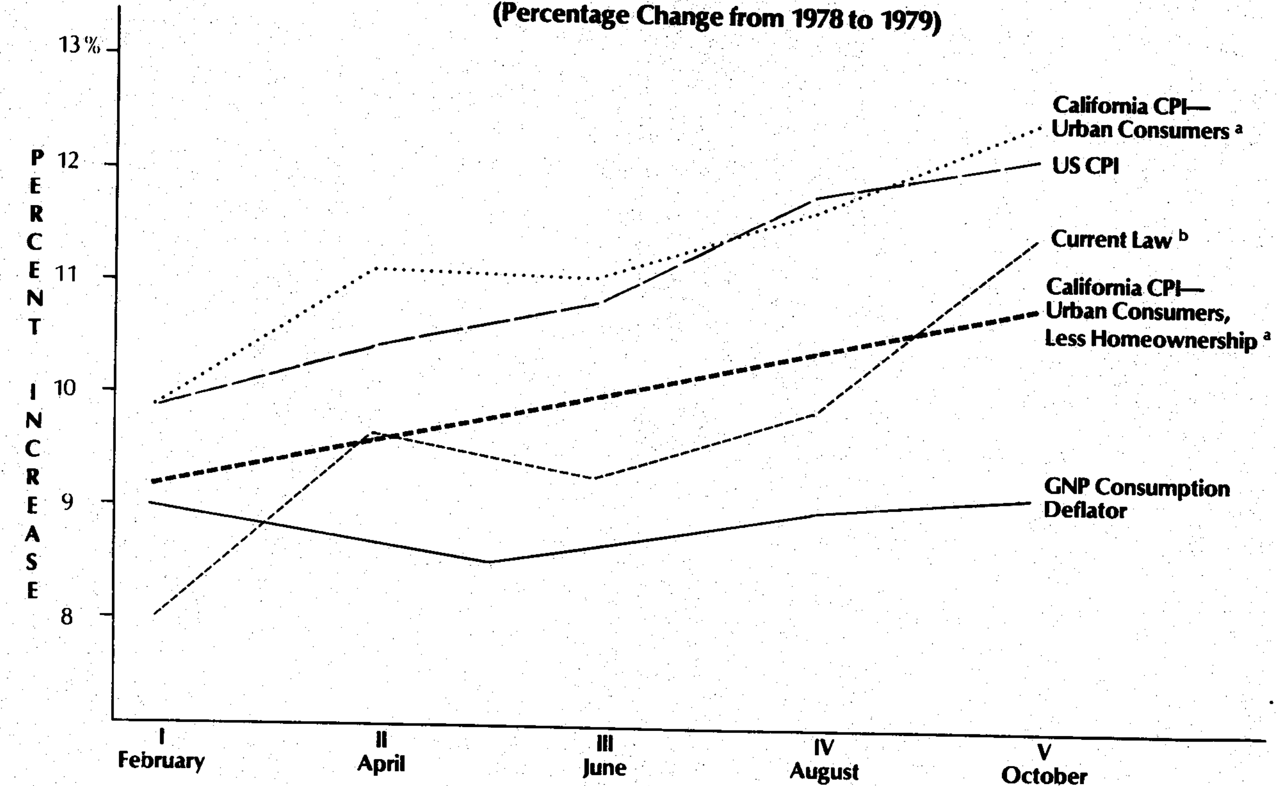
Table 13
General Fund Expenditures for SSP Cost-of-Living Increases Using Various Consumer Price Indices and the GNP Consumption Deflator
Change from October 1978 to October 1979

Alternative Measures of Inflation	*Percent Increase*	*General Fund*[a] *(in millions)*
California CPI—Urban Consumers[b]	12.5%	$221.1
U.S. CPI	12.2	213.1
Current Law[c]	11.3	185.2
California CPI—Urban Consumers (less homeownership)[a]	10.8	170.3
GNP Consumption Deflator	9.1%	$119.3

[a] Assumes change in current method for calculating cost-of-living increases.
[b] Average Los Angeles, San Francisco, San Diego.
[c] California CPI for wage earners and clerical workers. Average for Los Angeles and San Francisco.

Chart 1

Alternative Methods of Measuring the Rate of Inflation (Percentage Change from 1978 to 1979)



[a] Average Los Angeles, San Francisco, and San Diego
[b] California CPI—Wage Earners and Clerical Workers, Average Los Angeles and San Francisco

Alternative Approach to Providing Cost-of-Living Increases. Our analysis suggests that the statutory requirement to provide an annual cost-of-living adjustment limits the Legislature's ability to set spending priorities. Moreover, if funds for the SSI/SSP program are subject to limitations at the state level, rapid growth in this program could automatically require the state to curtail the growth in spending in other priority areas if it already was appropriating at its limit. In addition, the current method for calculating cost-of-living adjustments for SSI/SSP recipients results in grant increases which are larger than the change in the Consumer Price Index.

Because of these factors, we recommend that legislation be enacted to allow the Legislature to grant cost-of-living increases through the annual budget process rather than automatically through statute. *We are not recommending that welfare recipients be denied cost-of-living increases.* Rather, we are recommending that the Legislature give itself more flexibility in setting spending priorities for the state by considering cost-of-living adjustments in the budget process.

The Legislature may wish to use one of several cost-of-living indices when deciding how much to adjust cash grant levels. We recommend that the Legislature use an index which excludes the impact of increased costs for items which SSI/SSP recipients generally do not purchase (for example, homeownership). Alternatively, the Legislature may wish to use one of the cost-of-living factors provided for under Article XIIIB (the U.S. CPI or state per capita personal income). While these measures may not directly reflect the impact of increased costs of goods and services on welfare recipients in California, they would allow for program growth within the limits set by Article XIIIB.

Consequences of Modifying The Cost-of-Living Adjustment For SSI/SSP Recipients. If no cost-of-living increase was provided on the SSP grant for 1980–81, General Fund savings would total approximately $263.0 million. This amount would increase by almost $224.0 million, for total savings of $487.0 million, if the state did not pass on the federal cost-of-living adjustment on the SSI grant. Failure to provide either one of the cost-of-living adjustments would have the following consequences.

a. *Loss of Food Stamp "Cash-Out" Status.* If California failed to provide either of the two cost-of-living increases, it would be required to provide food stamps to eligible SSI/SSP recipients. Under current federal law, California is allowed to provide cash in lieu of food stamps to eligible SSI/SSP recipients so long as the state: (1) passes on the federal cost-of-living increase for the SSI grant and (2) provides a cost-of-living increase for the SSP grant pursuant to current state law. This provision of federal law allows the state to avoid the administrative costs which would occur if county welfare departments were required to distribute food stamps to SSI/SSP Recipients.

It is assumed that in the absence of a change in federal law, the state would lose its "cash-out" status if it failed to provide a cost-of-living increase to SSI/SSP recipients. As a result, the state and counties would incur administrative costs of $35.4 million to provide food stamps to eligible SSI/SSP recipients. Under current sharing ratios, the state and counties each would pay $17.7 million. The federal government would contribute

$35.4 million.

b. *Failure to Meet the Federal Government's Maintenance of Effort Requirement (PL 94-585).* In order to receive federal Title XIX Medicaid funds (Medi-Cal), the state is required to either (1) maintain its gross expenditures for the SSP program at the current year levels or (2) maintain the state payment levels provided in December 1976. The state has been complying with this law by meeting the gross expenditure test because the state has not maintained the payment level for a category of recipients referred to as mandatory supplementation cases.

If the SSP cost-of-living increase is not provided, it is unlikely that the state's expenditures for the SSP program would be sufficient to meet the gross expenditure test. If the state failed to meet the gross expenditure test, it could still avoid the loss of Medicaid funds by insuring that SSP grants for all categories of recipients did not drop below the grant levels paid in December 1976. In order to meet this requirement, the state would be required to provide the cumulative amount of all SSI cost-of-living increases since December 1976 to mandatory supplementation cases. The General Fund cost to provide the cost-of-living increases to the mandatory supplementation cases would be approximately $3.0 million in 1980–81.

Department of Social Services
SPECIAL ADULT PROGRAMS

Item 311 from the General Fund — Budget p. HW 150

Requested 1980–81	$4,196,000
Estimated 1979–80	3,708,700
Actual 1978–79	5,269,496
Requested increase $487,300 (+13.1 percent)	
Total recommended reduction	$100,508

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. *Special Circumstances. Reduce by $100,508.* Recommend cost-of-living increase be reduced from 14.65 percent to 9 percent, for a General Fund savings of $100,508.	901
2. Administrative Costs for Cash Assistance Programs. Recommend that federal funds for administrative costs for Indochinese and Cuban refugees scheduled in Item 311 be reduced by $6,900,700 and that federal funds in Item 313 (county welfare department administration) be increased by a similar amount.	904

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation to provide grants for the emergency and special needs of SSI/SSP recipients. The special allowance programs for SSI/SSP recipients are paid entirely from the General Fund and are administered by county welfare departments. In addition, this item contains the grant and administrative costs of three programs which are 100 percent federally funded: (a) Indochinese refugees who do not meet the eligibility criteria for other cash assistance programs, (b) Cuban refugees on general relief and (c) repatriated Americans.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $4,196,000 from the General Fund for special adult programs administered by the Department of Social Services in 1980–81. This is an increase of $487,300, or 13.1 percent, over estimated current year expenditures.

Total expenditures for this item are proposed at $73,771,000, an increase of $34,235,700, or 86.6 percent, over estimated current year expenditures. The federal government will pay $69,575,000, or 94.3 percent, of this amount. Most of these expenditures ($62,005,900) are for cash grants to Indochinese refugees who normally would not be eligible for assistance under the AFDC program, but who, due to federal law, will receive a grant equal to the AFDC payment standard. When the federal legislation for the Indochinese Refugee Assistance program expires, these refugees will either receive county general relief or no assistance. Table 1 shows the proposed expenditures for special adult programs in 1980–81.

Special Circumstances (Item 311(a))

We recommend that the cost-of-living increase be reduced from 14.65 percent to 9 percent, for a General Fund savings of $100,508.

The special circumstances program provides adult recipients with special assistance in times of emergency. Payments can be made for replacement of furniture, equipment or clothing which is damaged or destroyed by a catastrophe. Payments also are made for moving expenses, housing repairs and emergency rent.

The budget proposes $1,930,900 for grants under the special circumstances program for 1980–81. This is an increase of $240,900, or 14.3 percent, over the estimated current year expenditures. The Department of Social Services indicates that the proposed expenditures include funds for a 14.65 percent cost-of-living increase. Our analysis indicates that a 9 percent cost-of-living adjustment should be provided for special circumstances programs instead of a 14.65 percent adjustment.

First, the amounts provided under the special circumstances program generally are one-time allowances to cover emergency expenditures and are not considered grants designed to maintain the recipients' standard of living.

Second, there is no statutory requirement to provide a 14.65 percent cost-of-living increase for the special circumstances program.

Table 1
Special Adult Programs
1979–80 and 1980–81

Program	*Estimated 1979–80*			*Proposed 1980–81*			*Percent Change*		
	State	*Federal*	*Total*	*State*	*Federal*	*Total*	*State*	*Federal*	*Total*
Special circumstances	$1,690,000	—	$1,690,000	$1,930,000	—	$1,930,900	14.3%	—	14.3%
Special benefits	147,400 [a]	—	147,400	116,900	—	116,900	−20.7	—	−20.7
Aid to the potentially self-supporting blind	1,310,000	—	1,310,000	1,632,100	—	1,632,100	24.6	—	24.6
Emergency payments	561,300	—	561,300	516,100	—	516,100	−8.1	—	−8.1
Repatriated Americans	—	$40,000	40,000	—	$40,000	40,000	—	—	—
Indochinese Refugees:									
Grants	—	31,483,000	31,483,000	—	62,005,900	62,005,900	—	97.0%	97.0
Administration	—	3,487,400	3,487,400	—	6,642,800	6,642,800	—	90.5	90.5
Cuban Refugees:									
Grants	—	568,700	568,700	—	628,400	628,400	—	10.5	10.5
Administration	—	247,500	247,500	—	257,900	257,900	—	4.2	4.2
Totals	$3,708,700	$35,826,600	$39,535,300	$4,196,000	$69,575,000	$73,771,000	13.1%	94.2%	86.6%

[a] Includes $40,100 in benefit payments related to the *Harrington v. Obledo* court case.

Third, the administration has proposed a 9 percent cost-of-living adjustment for similar programs where the cost-of-living increase is discretionary.

Therefore, we recommend that a 9 percent cost-of-living increase be provided this program instead of a 14.65 percent adjustment.

Special Benefits (Item 311(b))

This item contains funds for (a) SSP recipients who have guide dogs and (b) recipients of assistance resulting from the *Harrington v. Obledo* court case. The guide dog program provides a special monthly allowance to cover the cost of dog food. The budget proposes $111,900 for fiscal 1980–81, which is an increase of $4,600, or 4.3 percent, over the current year.

The *Harrington v. Obledo* court case concerns two welfare recipients who received aid under California's adult welfare program, but who were not eligible to receive aid under the SSI/SSP program when it replaced the categorical aid programs on January 1, 1974. The California Court of Appeals ruled that the two plaintiffs were entitled to assistance at state expense. State expenditures for this assistance are proposed at $5,000 in the budget year.

Aid to Potentially Self-Supporting Blind (Item 311(c))

The Aid to Potentially Self-Supporting Blind (APSB) program provides payments to blind recipients who earn more income than is allowed under the basic SSI/SSP program. The program seeks to encourage these individuals to become economically self-supporting. The budget proposes $1,632,100 for 1980–81, which is an increase of $322,100, or 24.6 percent, over estimated current year expenditures. The increase is due to a proposed 14.65 percent cost-of-living adjustment and an increase in caseload.

Emergency Payments (Uncollectible Loans (Item 311(d))

Chapter 1216, Statutes of 1973, mandates that counties provide emergency loans to aged, blind and disabled recipients whose regular monthly checks from the federal Social Security Administration have been lost, stolen or delayed. The budget proposes $516,100 for 1980–81, which is $45,200, or 8.1 percent, below estimated current year expenditures.

This estimated decrease is due to Chapter 724, Statutes of 1978 (SB 1631), which allows the department to adopt regulations that require individuals to repay previous loans before they can be eligible to receive a new loan.

Temporary Assistance for Repatriated Americans (Item 311(e))

The federal repatriate program is designed to provide temporary help to needy U.S. citizens returning to the United States from foreign countries because of destitution, physical or mental illness or war. Recipients can be provided temporary assistance to meet their immediate needs and continuing assistance for a period of up to 12 months. County welfare departments administer the program based on federal and state guidelines. The program is 100 percent federally funded. Expenditures for the budget year are proposed at $40,000, the same amount estimated for the current year.

SPECIAL ADULT PROGRAMS—Continued

Indochinese Refugees (Item 311(f))

The Indochinese Refugee Assistance program was established by federal law to provide benefits to eligible Indochinese refugees. Historically, the federal government has paid the entire cost of cash grants, social services and medical assistance provided to Indochinese refugees. On November 13, 1979, President Carter signed the Cambodian Relief Act (PL 96-110) which extends 100 percent federal funding for Indochinese refugees through September 30, 1981.

The federal funds for cash grant payments to Indochinese refugees who qualify for the Aid to Families with Dependent Children (AFDC) program are limited by Control Section 32.5 of the 1980 Budget Bill. Assistance for Indochinese refugees who qualify under the Supplemental Security Income/State Supplementary Payment program are included in Item 310.

Item 311(f) contains federal funds for cash grants and administrative costs related to Indochinese refugees who do not meet the eligibility requirements for the AFDC and SSI/SSP programs. The budget proposes expenditures of $68,648,700 from federal funds for these costs. This includes $62,005,900 for grants and $6,642,800 for administrative costs. Total expenditures are estimated to increase by $33,678,300, or 96.3 percent, over current year expenditures. The significant increase in expenditures is due to projected caseload growth. The department estimates that the number of Indochinese refugees receiving assistance under this special program will increase from approximately 22,950 in the current year to 39,433 in the budget year.

Cuban Refugees (Item 311(g))

This item contains federal funds for cash grants and administrative costs related to Cuban refugees who do not meet the eligibility requirements for the AFDC and SSI/SSP programs but who are receiving general relief grants from counties. The budget proposes federal expenditures of $886,300 for the budget year. This includes $628,400 for grants and $257,900 for administrative costs. Expenditures are estimated to increase $70,100, or 8.6 percent, over the current year.

Scheduling of Federal Funds for County Welfare Department Administrative Costs

We recommend that federal funds for county welfare department administrative costs for Indochinese and Cuban refugees scheduled in Item 311 be reduced by $6,900,700 and that federal funds in Item 313 (county administration) be increased by $6,900,700.

As we mentioned earlier, Item 311 contains both the grant and administrative costs related to two refugee programs which are 100 percent federally funded in 1980–81: (1) Indochinese refugees and (2) Cuban refugees. The administrative costs for these programs total $6,900,700.

All funds for county welfare administration should be budgeted in the same item in order to facilitate legislative review of these expenditures. Accordingly, we recommend that these administrative costs be scheduled in Item 313 which is the item where county welfare administrative costs are normally scheduled.

Department of Social Services
SOCIAL SERVICES PROGRAMS

Item 312 from the General Fund — Budget p. HW 154

Requested 1980–81	$195,424,741
Estimated 1979–80	156,936,886
Actual 1978–79	126,668,613
Requested increase (excluding amount for salary increases) $38,487,855 (+24.5 percent)	
Total recommended reduction	$10,547,864

1980–81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
312	Social Services Programs	General	$191,737,701
	Welfare and Institutions Code, Section 16151	General	2,193,400
	Budget Act of 1978, Item 274	General	1,493,640
	Total		$195,424,741

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Reserve for Federal Requirements. Reduce federal funds by $25,101,772.* Recommend deletion of proposed federal funds reserve, until such time that (a) augmentation to federal funds is assured and (b) a specific expenditure proposal is reviewed by the Legislature. 913
2. *Population Adjustment to Title XX Allocation. Reduce by $1,448,840.* Recommend federal funds available in state fiscal year 1980–81 replace General Fund support for In-Home Supportive Services. 914
3. The Social Services Planning Act, AB 1642. Recommend the department submit an overall plan for three-year phase-in, to the Legislature prior to budget hearings. 916
4. Social Services Policy Task Force Draft Regulations. Recommend Department of Finance review a single regulations package for proposed social services redesign. Further recommend Budget Act language requiring that Legislature be notified prior to expansions or alterations in social services programs. 917
5. In-Home Supportive Services. Recommend Budget Act language requiring cost control plan by December 15, 1980 921
6. *In-Home Supportive Services Minimum Wage Increase.* 924

SOCIAL SERVICES PROGRAMS—Continued

Reduce by $2,899,986. Recommend General Fund reduction in amount overbudgeted for minimum wage increases to individual providers.

7. In-Home Supportive Services Cost-of-Living Adjustments. Recommend enactment of legislation providing cost-of-living adjustments for in-home supportive services payments through the annual budget process rather than automatically through statute. 925
8. *Twenty-Four Hour Emergency Response System. Reduce by $5 million.* Recommend replacement of General Fund support in order to fund the system as a component of the other county social services program. 927
9. Community Care Licensing Revised Allocation Method. Withhold recommendation on proposed licensing increase of $523,200 pending receipt of specified information. 930
10. *Adoptions Caseload Increase. Reduce by $982,588.* Recommend funds budgeted for 5.4 percent increase in adoptive placements be deleted due to inappropriate caseload projection. 932
11. *Rape Victim Counseling Centers. Reduce by $135,050.* Recommend deletion of funds overbudgeted for 1980–81. 934
12. *Licensed Maternity Care Home Program. Reduce by $81,400.* Recommend Budget Act language to appropriate amount other than statutory appropriation. Further recommend reduction of $81,400 overbudgeted for 1980–81. 934

GENERAL PROGRAM STATEMENT

The Department of Social Services (DSS) administers various social services programs which provide *services* to eligible clients or to individuals and facilities serving clients, rather than *cash* as the AFDC and SSI/SSP programs provide. The programs differ from each other in the nature of the services provided, the characteristics of clients served, the source of funding, and the agency that delivers the service.

Social services programs are administered by the Adult and Family Services and Community Care Licensing Divisions of the department. The budget includes seven programs: (1) other county social services, (2) specialized adult services, (3) specialized family and children's services, (4) adoptions, (5) county staff development and services training, (6) demonstration projects, and (7) community care licensing. The major components of these programs are identified below.

Title XX Social Services

The department is the single state agency designated to receive federal social services funds from Title XX of the Social Security Act. Federal regulations require that at least three services be provided for SSI/SSP recipients, and that at least one service be directed to achieving each of the five federal Title XX program goals of (1) self-support, (2) self-sufficiency, (3) protection of children and adults and reunification of families, (4) prevention or reduction of inappropriate institutional placements, and

(5) institutionalization only when necessary. The only specific service mandated by federal law is family planning for AFDC recipients.

Federal financial participation in state Title XX programs is contingent on preparation of a statewide Comprehensive Annual Services Program (CASP) Plan. The annual CASP must identify and describe (a) the services to be provided within the Title XX program, (b) the specific target groups for each service, and (c) the structure of the social services delivery system. Federal regulations allow each state to establish a delivery system that is most appropriate to the state's Title XX needs.

County-Administered Services. County welfare departments administer the majority of California's Title XX social services. State law and regulations (1) require counties to provide 10 specific services and (2) permit counties to offer any of 14 additional services. One of the 10 mandated activities is In-Home Supportive Services (IHSS). The 23 remaining services comprise the Other County Social Services (OCSS) program.

Of the 10 mandated activities, four are required to be available to all persons: information and referral, protective services for adults, protective services for children, and court ordered foster care. Other services are provided to individuals who receive SSI/SSP or AFDC, or who are eligible because of their low income.

State-Administered Services. The budget proposes that specific Title XX social services be provided by the Department of Health Services (family planning) and the Department of Education (child development programs). Federal funds received by the Department of Social Services as the single state agency responsible for Title XX are transferred to those departments under the terms of separate interagency agreements.

Federal Title XX Allocations. Based on its share of the nation's total population, California receives approximately 10 percent of the federal funds available each fiscal year from Title XX of the Social Security Act. In 1972, Congress enacted legislation establishing a cap of $2.5 billion on federal Title XX funds. However, since 1976, Congress has enacted temporary annual increases to this limit.

Title XX Matching Requirements. Federal law requires that federal Title XX funds expended on most social services be matched on a 75:25 federal/non-federal sharing basis. Family planning services, however, require only a 10 percent non-federal match. Child development program augmentations are 100 percent federally funded. Because federal Title XX funds are capped, any expenditures that exceed the federal allocation, plus the non-federal match, must be supported with state and local funds. California is now providing support for social services which far exceeds the 25 percent non-federal required match.

Other Social Services

In addition to Title XX social services, the department is responsible for administering the following social services programs:

1. Child welfare services which are funded under Title IV-B of the Social Security Act. In fiscal 1979–80, California was allocated $4.1 million in federal Title IV-B funds which was matched by counties at a 75 percent federal/25 percent county ratio. Title IV-B funds are used to supplement

SOCIAL SERVICES PROGRAMS—Continued

protective services for children.

2. Maternity care services which are funded from a continuing annual General Fund appropriation of $2.4 million pursuant to Section 16151 of the Welfare and Institutions Code. These funds are used to reimburse nonprofit licensed maternity homes for the cost of care and services provided to unmarried pregnant women.

3. Work Incentive Program (WIN) social services, which are funded 90 percent by federal funds and 10 percent by the General Fund. Federal law requires that all nonexempt AFDC applicants register with local WIN sponsors to receive employment and job training services. Through local separate administrative units (SAUs), the Department of Social Services administers supportive social services, including child care, for WIN participants.

4. Services to Indochinese refugees, which are 100 percent federally-funded through October 1981. These social services, job training and English language instruction programs are provided by county welfare departments and private contractors.

5. Adoption services which are 100 percent state-funded.

6. Community care licensing services provided by counties, under contract with the state, which are 100 percent state-funded. (Facilities evaluation and licensing conducted directly by state personnel are included in Item 309, Departmental Support.)

7. Demonstration programs whch are funded individually by the state or federal government. These programs address a variety of programmatic and procedural alternatives to existing social services delivery systems.

8. County staff development and training programs which are supported by federal Title XX funds and matched with state, county and university funds. these programs are directed at both long-term skill needs and immediate needs for short-term training of service workers providing Title XX services.

9. Rape victim counseling centers which are 100 percent state-funded. These centers were funded through the budget for the first time in the 1979 Budget Act.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of $195,424,741 from the General Fund for social services programs in 1980–81, which is an increase of $38,487,855, or 24.5 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Total expenditures include $191,737,701 in this item, $2,193,400 appropriated by Section 16151 of the Welfare and Institutions Code for maternity care services, and $1,493,640 carried forward from the 1979 Budget Act for the Multipurpose Senior Services Project. Increases in caseload and other costs for the In-Home Supportive Services program account for $32,346,550 or 84 percent, of the proposed increase in the General Fund appropriation for social services. Table 1 identifies the major components of this increase.

Table 1
Proposed 1980–81 General Fund Budget Adjustments for Social Services Program

	Adjustment	*Total*
A. 1979–80 Current Year Revised		$156,936,886
B. Budget Adjustments		
1. In-Home Supportive Services		
a. Caseload growth (7.9 percent)	$11,081,950	
b. 1979–80 cost-of-living	114,500	
c. 1980–81 statutory increase	4,113,700	
d. Minimum wage increases	15,440,300	
e. Provider benefits (Chapter 463, Statutes of 1978)	460,200	
f. Services for clients earning income (Chapter 1362, Statutes of 1978)	13,200	
g. Paramedical services (Chapter 1071, Statutes of 1979)	616,900	
h. Parent providers (Chapter 1059, Statutes of 1979)	25,900	
i. IHSS regulations	479,900	
Subtotal		32,346,550
2. Rape Crisis Centers		
a. Transfer from Item 288.1	200,000	
b. Cost-of-living increase	18,000	
		218,000
3. Maternity Care		
a. Cost-of-living		214,700
4. WIN		
a. Long Beach Project	70,154	
b. Caseload increase	156,046	
		226,200
5. Adoptions		
a. Caseload growth (5.4 percent)	773,100	
b. 1979–80 cost-of-living	64,900	
c. 1980–81 cost-of-living	1,469,043	
d. Increase in fees	−2,700	
e. Hard to place children	8,000	
Subtotal		2,312,343
6. Demonstration Programs		
a. Termination of Projects	−1,630,391	
b. Multipurpose senior project carry forward	1,487,280	
c. IHSS needs assessment project cost-of-living	9,765	
d. Adjustment to Family Protection Act (Chapter 21, Statutes of 1977)	500	
Subtotal		−132,846
7. Community Care Licensing		
a. Facilities increase	770,500	
b. Revised allocation method	480,000	
c. 1979–80 cost-of-living	149,100	
d. 1980–81 cost-of-living	1,388,500	
e. Regulations implemented in 1980–81	−118,292	
f. Regulations to be implemented in 1980–81	489,500	
g. Registration pilot project (Chapter 1063, Statutes of 1979)	143,600	
Subtotal		3,302,908
Total Proposed General Fund Increases		38,487,855
C. Proposed Total General Fund		195,424,741
D. Other General Fund Appropriations		
1. Multipurpose Senior Services Projects	−1,493,640	
2 Licensed Maternity Care Home	−2,193,400	
Subtotal		−3,687,040
E. General Fund in Item 312		$191,737,701

SOCIAL SERVICES PROGRAMS—Continued

Total expenditures, all funds, for social services programs are projected to total $656,016,074 in 1980–81. This is an increase of $107,024,312, or 19.5 percent, over total estimated current year expenditures. Table 2 identifies total proposed expenditures for social services programs for the budget year.

Table 2
Total 1980–81 Proposed Expenditures for Social Services Programs

	General Fund in Item 312	*Other General Fund*	*Federal Funds in Item 312*	*County Funds*	*Reimbursements*	*Total*
A. Title XX Social Services						
1. In-Home Supportive Services	$149,424,493	—	$99,092,607	—	—	$248,517,100
2. Other County Social Services						
a. Adult and family and children services	—	—	144,327,010	$47,611,630	—	191,938,640
b. 24-hour emergency response system	5,000,000	—	2,929,319	2,643,107	—	10,572,426
3. Child development (Department of Education)	—	$10,671,314	52,013,942	—	—	62,685,256
4. Family planning (Department of Health Services)	—	444,444	4,000,000	—	—	4,444,444
5. Reserve for new federal requirements	—	—	25,101,772	—	—	25,101,772
Subtotals	$154,424,493	$11,115,758	$327,464,650	$50,254,737	—	$543,259,638
B. Title XX Training						
1. County staff development	—	—	$1,889,550	$629,850	—	$2,519,400
2. Services training	—	—	11,434,200	—	$3,811,400	15,245,600
Subtotals	—	—	$13,323,750	$629,850	$3,811,400	$17,765,000
C. Indochinese Refugee Assistance Program						
1. County social services						
a. In-Home Supportive Services	—	—	$958,400	—	—	$958,400
b. Other County Social Services	—	—	7,505,700	—	—	7,505,700
2. Social services contracts	—	—	20,575,500	—	—	20,575,500
Subtotals	—	—	$29,039,600	—	—	$29,039,600
D. Other Social Services						
1. Adoptions	$17,584,043	—	—	—	—	$17,584,043
2. Community care licensing	16,857,400	—	—	—	—	16,857,400
3. Demonstration projects	2,018,265	$1,493,640	$269,093	$100,000	—	3,880,998
4. Child welfare services (Title IV-B)	—	—	4,119,446	1,373,149	—	5,492,595
5. Work incentive program (Title IV-C)						
a. WIN child care	635,500	—	5,719,300	—	—	6,354,800
b. WIN administrative unit	—	—	12,033,500	1,337,100	—	13,370,600
6. Rape victim counseling centers	218,000	—	—	—	—	218,000
7. Maternity care	—	2,193,400	—	—	—	2,193,400
Subtotals	$37,313,208	$3,687,040	$22,141,339	$2,810,249	—	$65,951,836
Totals	$191,737,701	$14,802,798	$391,969,339	$53,694,836	$3,811,400	$656,016,074

Title XX—State and County Overmatch

Section 15151.5 of the Welfare and Institutions Code requires that at least 66 percent of federal Title XX funds be allocated to the counties. The budget proposes that $246,348,936, or 75.2 percent, of the available Title XX funds be allocated to the counties in 1980–81. The remaining federal funds, $81,115,714 (24.8 percent of the total), are allocated to state programs.

Of the $246,348,936 allocated to the counties by the budget, $99,092,607 is for IHSS and $147,256,329 is for the OCSS program. (In addition, $8,464,100 in federal funds for social services provided by county welfare departments to Indochinese refugees is included in the budget subitems for IHSS and OCSS.)

Section 12306 of the Welfare and Institutions Code requires the state to provide the 25 percent match for federal funds used for IHSS. Because federal funds are capped, every additional dollar spent on IHSS must come from the General Fund.

In order to receive federal Title XX funds, counties traditionally have provided the 25 percent match for OCSS. In addition, the state has provided General Fund support for OCSS, although it is not required by state law to do so.

For fiscal year 1980–81, total state and county Title XX expenditures will be $114,195,661 above the amount needed to provide a 25 percent match for federal funds. Table 3 displays the relationship between state, county and federal Title XX expenditures from 1977–78 through 1980–81.

Table 3
Title XX Program Funding Sources
1977–78 to 1980–81

	Federal	*State General Fund*	*County*	*Totals*	*Percent General Fund*
1977–78	$276,585,768	$71,275,945	$46,335,905	$394,197,618	18.1%
1978–79	274,237,842	115,959,405	41,160,800	431,358,047	26.9
1979–80 (Estimated)	290,733,000	133,193,701	47,559,546	471,486,247	28.2
1980–81 (Proposed)	$327,464,650	$165,540,251	$50,254,737	$543,259,638	30.5%

Source: Department of Social Services

Potential Increase in Federal Funds

In federal fiscal year 1979, PL 95-600 (HR 13511) increased the national Title XX limit on a one-time basis to $2.9 billion. As a result of this increase, California's Title XX allocation in 1979–80 was $290 million, rather than $250 million as it would have been otherwise. For federal fiscal year 1980, California's allocation has been reduced to approximately $250 million because under existing federal law, the national cap on Title XX funds reverts to $2.5 billion.

The U.S. Congress is currently considering legislation (HR 3434) which

SOCIAL SERVICES PROGRAMS—Continued

would permanently increase the cap on available federal Title XX funds. The Senate and House versions of this bill, which are scheduled to be considered in conference committee in spring 1980, propose new spending limits of $2.7 billion and $3.1 billion, respectively, for federal fiscal year 1980. Table 4 summarizes the proposed spending limits included in the two versions.

Table 4
Federal Title XX Spending Limits
Proposed by the Two Versions of HR 3434
Federal Fiscal Years 1980–1985
(in billions)

	Senate	*House*
1980	$2.7	$3.1
1981	2.9	3.1
1982	3.0	3.1
1983	3.1	3.1
1984	3.2	3.1
1985	3.3	3.1

Proposed Use of Additional Federal Funds

PL 95-600 (HR 13511) increased the state's federal Title XX allocation on a one-time basis by $40,103,000 for federal fiscal year 1979. As Table 5 indicates, the department allocated $6,845,100 of this amount for other county social services in 1978–79 (utilizing the authority provided by Section 28 of the Budget Act), the remainder—$33,251,900—was allocated for other county social services and child development programs in 1979–80 by the Legislature in the 1979 Budget Act.

The Department of Social Services anticipates that a version of HR 3434 will be approved by the U.S. Congress and will make available to California an additional $40 million in federal fiscal year 1980 and $40 million in federal fiscal year 1981.

Because the federal fiscal years overlap state fiscal years, the state will be able to use funds from two federal fiscal years at once. This will result in a one-time increase in federal Title XX funds of $40 million and an ongoing increase to the federal Title XX allocation of $40 million. The budget proposes to expend the $80 million anticipated from HR 3434 as follows:

1) $6,845,100 for other county social services in 1979–80, in accordance with the provisions of the 1979 Budget Act.

2) $73,145,900 for other county social services, child development, and a reserve for new federal requirements, in 1980–81. Table 5 identifies how the budget proposes to allocate the projected $80 million increase.

Implications for Future Funding of Social Services Programs. Increasing the federal Title XX expenditures to approximately $330 million in 1980–81, as the budget proposes, would create a higher base expenditure level for future years. This higher base could not be sustained if federal funds in 1981–82 and later years remain at the $290 million level. Hence, over time, the state would be required to make up the difference between the level of expenditures for the budget year and the amount of Title XX money coming into the state.

Table 5
Federal Title XX Funds
Source and Expenditure
1979–80 and 1980–81

	Estimated 1979–80	Proposed 1980–81	Change Amount	Change Percent
1. Basic allocation under $2.5 billion national spending limit	$248,500,000	$253,037,000	$4,537,000	1.8%
2. Adjustment for population increase	2,130,000	1,272,750	—	—
3. Increase due to HR 13511	33,257,900 [a]	—	—	—
a. Other county social services—replacing General Fund	(6,845,100)	—	—	—
b. Other county social services—cost of living	(6,361,800)	—	—	—
c. Child development	(20,051,000)	—	—	—
4. Increase expected with passage of HR 3434	6,845,100 [b]	73,154,900 [b]	—	—
a. Other county social services—continue HR 13511 funding level	—	(13,206,900)	—	—
b. Other county social services—cost of living	—	(11,916,909)	—	—
c. Other county social services—24-hour emergency response system	—	(2,929,319)	—	—
d. Child development	—	(20,000,000)	—	—
e. Reserve for new federal requirements	—	(25,101,772)	—	—
Totals	$290,733,000	$327,464,650	$36,731,650	12.6%

[a] The total amount available from the passage of HR 13511 was $40,103,000. Of this amount, $6,845,100 was allocated for expenditure for other county social services in 1978–79.
[b] The total amount expected from HR 3434 is $80 million. The budget proposes to allocate $6,845,100 for 1979–80 and the remainder for expenditures in 1980–81.

Funds Reserved for Federal Requirements

We recommend that $25,101,772 proposed as a reserve for federal requirements be deleted from the budget until such time that (1) the augmentation to federal funds is assured by the passage of HR 3434 and (2) a specific proposal for the expenditure of these funds is reviewed by the Legislature.

Budget Proposal. The budget proposes that $25,101,772 in new federal funds resulting from HR 3434 be budgeted as a "reserve for federal requirements." According to the department, this amount will be used to accomplish unspecified program objectives of HR 3434 related to child welfare services, foster care and adoption assistance programs. However, the department does not have a plan for expenditure of the funds and has been unable to identify the level of expenditure necessary to meet potential federal requirements.

Legislative Review Necessary. Because the department has been unable to identify the specific ways in which reserve funds would be used, we conclude that the administration is, in effect, proposing to establish a $25 million contingency fund. If approved, this would significantly increase the department's spending authority and deny the Legislature the opportunity to review specific proposals for social services programs. A contingency fund of this type is both undesirable and unnecessary. It is undesirable because it would prevent the Legislature from having a voice in how these funds are used. Moreover, the funds could be used in such a manner as to increase General Fund requirements in future years. It is unnecessary because the administration has procedures at its disposal which allow unbudgeted funds to be spent—specifically Department of Finance budget amendment letters and the Section 28 process—while providing for legislative notification and review.

Therefore, we recommend that $25,101,772 budgeted for "reserve for federal requirements" be deleted. We further recommend that when HR 3434 is enacted and its program requirements are established, the Department of Social Services be directed to submit to the Legislature a specific estimate of costs associated with accomplishing the program objectives of the act and a specific plan for expending all funds for this purpose.

Population Adjustment to Annual Title XX Allocation

We recommend that increased federal Title XX funds in the amount of $1,448,040, which are allocated to California for federal fiscal year 1981 on the basis of the state's increase in population, be included in the 1980–81 budget. We further recommend that these funds be used to replace General Fund support for In-Home Supportive Services, for a General Fund savings of $1,448,840.

Population Adjustment to Title XX Allocation. At the beginning of each federal fiscal year, adjustments are made to each state's allocation of federal Title XX funds to reflect changes in the state's proportion of the national population. The budget contains $1,272,750 for the state's population adjustment for federal fiscal year 1980. However, the budget does not contain an additional population adjustment for federal fiscal year 1981, as announced in the November 30, 1979 Federal Register.

If the total amount of federal Title XX funds available to the states is increased by the passage of HR 3434, California's 1981 population adjustment will also increase above the level shown in the Federal Register. As Table 7 indicates, California's adjustment will be $1,279,179 if there is no change in the base allocation, and $1,448,840 if HR 3434 is enacted in the form anticipated by the budget.

Table 7
Effect of the November 30, 1979
Population Adjustment on California's Title XX Allocation

	Assuming HR 3434 Is Not Enacted	*Assuming HR 3434 Enacted with $2.9 Billion Ceiling*
1981 federal allocation	$255,588,929	$296,448,440
1980 federal allocation	254,309,750	294,999,600
Increase due to population adjustment	$1,279,179	$1,448,840

Budgeting Population Adjustment Increases. In the past, the department has not budgeted these funds in the state fiscal year in which they become available. Instead, the funds have been kept as a reserve. Thus, the department did not budget population adjustment funds for federal fiscal year 1979 in the state's 1978–79 budget. Instead, the funds were held in reserve and used to fund an unanticipated deficit in the IHSS program.

The department advises that the 1980–81 budget does not contain the 1981 population adjustment because the department proposes to hold the money in reserve for state fiscal year 1981–82. Such a reserve, however, is unnecessary because during three-quarters of 1981–82, the state will be able to draw down any new federal funds for the population adjustment made available in federal fiscal year 1982.

The failure to include the federal fiscal year 1981 population adjustment funds in the budget has three consequences:

1. It gives the Legislature a less-than-complete picture of available funds,
2. It reduces the Legislature's options regarding the use of the funds,
3. It requires General Fund support to be higher than necessary.

Therefore, we recommend that federal funds allocated to California in the form of a population increase for federal fiscal year 1981 be included in the budget so as to provide the Legislature with a complete budget of available federal funds. Specifically, we recommend these funds be budgeted for In-Home Supportive Services, thereby permitting a corresponding reduction in General Fund support. Assuming that HR 3434 will pass with a national ceiling of $2.9 billion (as the Governor's Budget assumes), this will result in a General Fund savings of $1,448,800.

The Social Services Planning Act

The Social Services Planning Act, Chapter 1235, Statutes of 1978 (AB 1642), requires the Department of Social Services to: (a) develop a comprehensive needs assessment, planning and allocation process for all social services programs funded by Title XX of the Social Security Act and (b) coordinate Title XX services with other social services programs. The act identifies the department as the state agency responsible for developing the planning and allocation process, and requires the department to base its budget proposals for social services programs on this planning process. The act requires a prediction of program utilization (PPU) to be used to apply needs assessment information to resource allocation decisions during the budget process. AB 1642 requires the PPU to be provided to the Legislature at the time the proposed state budget is submitted, and requires the Legislative Analyst to review the PPU in his Analysis of the Budget Bill.

AB 1642 mandates that planning requirements be implemented during a three-year period beginning July 1, 1979. The first complete planning cycle, including development of the PPU, is not required to be completed until submission of the 1982–83 Governor's Budget. The law requires that the Director of the Department of Social Services (1) specify the sequence of steps which the counties must carry out in order to achieve full implementation of the planning act by the end of the three-year phase-in period, and (2) appoint an interim planning task force to advise the department on the review of county plans and steps necessary for the phase-in of the provisions of AB 1642.

Departmental Progress in Implementing the Social Services Planning Act

We recommend that the Department of Social Services present an overall plan to the Legislature for the three-year phase-in of AB 1642 prior to 1980–81 budget hearings. We further recommend that this plan specify the sequence of steps necessary for counties to comply with the act.

The department advises that no official schedule for the phase-in of AB 1642 has been developed or circulated among the counties to assist them in the transition to a new planning process. The lack of an overall implementation schedule (1) results in inadequate planning instructions for counties, (2) renders assessment of progress toward implementation of AB 1642 exceedingly difficult, and (3) jeopardizes eventual implementation of the act.

During 1979–80, the department has (1) pilot tested a claims form which includes service expenditures and staff costs by program, (2) placed greater emphasis on resource coordination and resource allocation in the 1980–81 county planning guidelines, and (3) appointed an interim planning task force that met for the first time on January 30, 1980. The results from the new reporting format had not been completely tabulated at the time this analysis was prepared. These activities, however, are steps toward the compilation of a uniform data base necessary for preparation of the 1982–83 budget and a prediction of program utilization.

Because it is not clear how diverse activities occurring in the department will be combined in the implementation of AB 1642, we recommend that the Department of Social Services present an overall plan to the Legislature for the three-year phase-in at the time of budget hearings. We further recommend that the plan submitted to the Legislature specify the sequence of steps necessary for counties to comply with the act.

Social Services Policy Task Force

In our *Analysis of the 1979 Budget Bill,* we indicated that the department intended to establish a task force to identify program goals and objectives during 1979–80. This policy task force, composed of eight social services and systems development specialists from the Adult and Family Services Division, produced a draft set of regulations. The draft regulations were released in August 1979 and published for comment October 9, 1979.

The proposed draft regulations are designed to address the following problems in social services programs: (1) lack of established goals and clear program objectives, (2) uncertain priorities, (3) failure to combine planning with program delivery and resource allocation and (4) lack of a cohesive program role in relation to services provided by other programs. The department advises that it views the draft regulations as an essential first step in resolving these problems and moving toward implementation of AB 1642. Although substantial portions of the draft regulations may be altered during the review process, the proposed package includes several provisions which will improve the management and delivery of the social services programs addressed. Specifically, the proposal (1) places time limits on the duration of service, (2) eliminates health-related and employment-related services from the list of mandated services, and (3) requires that service plans be developed for each client.

Legislative Review of Proposed Changes

We recommend that the Department of Social Services submit its proposed redesign of social services programs and a specific expenditure plan for its implementation as a single regulations package for the approval of the Department of Finance. We further recommend that Budget Act language be adopted requiring notification of the Legislature regarding the costs expected to result from redesign, expansion or alteration of existing social services programs.

Our analysis indicates that there are a number of problems with the department's regulations designed to alter social services programs.

Unspecified General Fund Costs. State and local cost estimates to implement the proposed regulations will be available for the first time in mid-February 1980. The regulations may reduce the demand for expenditures by eliminating funding of some current programs and by establishing plans and time limits for services. However, we have identified potential increases in county costs that may result from requirements to (1) provide additional management information, (2) increase case management and documentation activities, (3) augment staff for new service activities, and (4) achieve higher than currently required ratios of social workers to total staff. It is possible that the additional county costs will have to be reimbursed by the state under Article XIII B of the State Constitution (Proposition 4).

Reserve for Federal Requirements. No specific cost estimate or expenditure plan has been prepared for the proposed regulations. However, the budget proposes $25 million as a "reserve for federal requirements" to be used for objectives included in the proposed regulations. Sound budgeting practices require that these funds not be appropriated for unspecified purposes, as discussed earlier in this analysis.

Implementation Schedule Not Tied to Budget Process. The development of the draft regulations has been hampered by the necessity to work within three different time cycles: (1) the state budget process, (2) the federal cycle for preparation of the comprehensive annual services program plan and (3) the schedule for phase-in of AB 1642. The department advises that it intends to implement the regulations by October 1, 1980. This deadline requires regulations to be filed for public hearing by June 1980.

The department indicates that it will amend California's 1980 Comprehensive Annual Services Program plan in order to assure continued federal financial participation if the redesign is implemented prior to the beginning of federal fiscal year 1981. It also indicates that counties will receive training and orientation to help them implement the regulations, between June 1 and October 1, 1980. This schedule does not permit legislative consideration of the potential expenditures for implementation of the regulations during hearings on the 1980–81 Budget.

Changes in Statute Required. Our review of the draft regulations indicates that their implementation would require changes in existing stat-

SOCIAL SERVICES PROGRAMS—Continued

utes. For example, legislation may be required to change procedures for dealing with children who are dependents of the court and to remove health related services from the list of mandated programs.

Because the program changes proposed by the regulations will significantly alter social services programs in the state, we recommend that the Department of Finance review and approve the department's entire social services proposal prior to any program or funding changes. Because of the potential fiscal and policy impact of the proposal, we further recommend that the Legislature add the following Budget Act language in order to ensure it receives notification of any change in expected expenditures due to the redesign, expansion or alteration of existing social services programs:

". . . provided further that no funds appropriated in this item may be spent for the expansion or alteration of existing social services programs unless (1) the Legislature has been notified at least 30 days prior to the effective date of such expansion or alteration and (2) such notification includes a specific expenditure plan and detailed description of the proposed expansion or alteration."

IN-HOME SUPPORTIVE SERVICES

Program Description

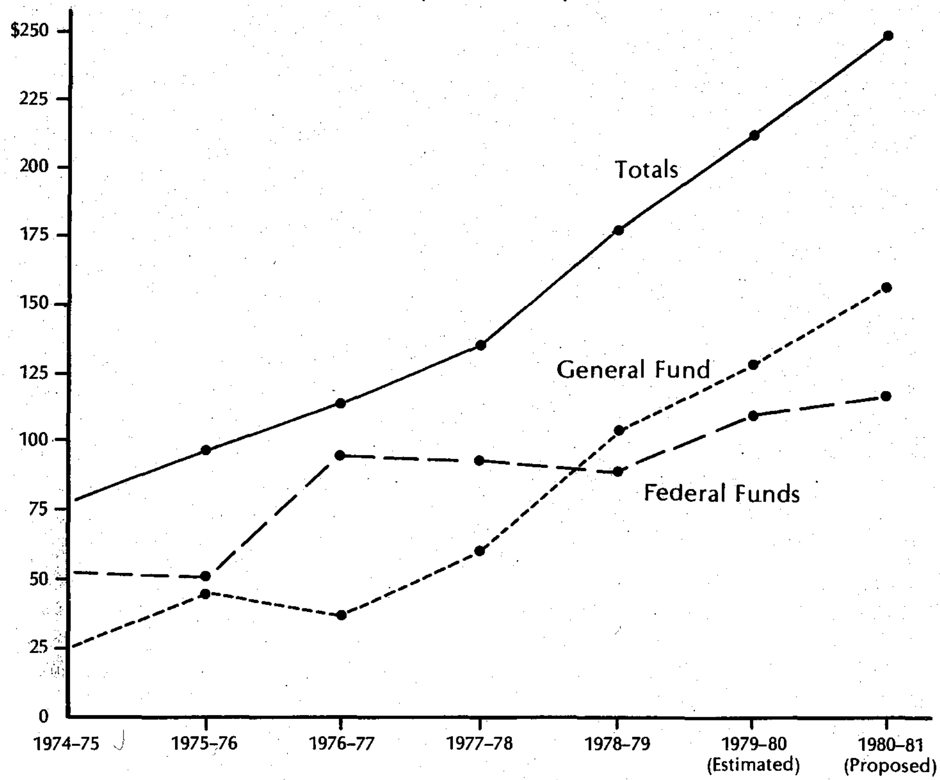
The In-Home Supportive Services (IHSS) program provides personal care, domestic and paramedical services to approximately 90,000 aged, blind and disabled individuals. County welfare departments administer this program, which is funded by the state and federal governments. Services are delivered in three ways: (1) directly by county employees, (2) by agencies under contract with the counties or (3) by providers hired directly by the recipient. Individual providers, hired directly by recipients, deliver 95 percent of all IHSS service hours. Los Angeles County accounts for 45 percent of all IHSS expenditures and service hours in California.

The state is statutorily required to provide a 25 percent match for federal Title XX funds available for IHSS. However, since fiscal year 1978–79, the state General Fund has provided a larger portion of total IHSS support than federal funds. Of the funds proposed for the budget year, 59.9 percent are state and 40.1 percent are federal. Chart 1 shows the relationship between state and federal funds spent on IHSS from 1974–75 to 1980–81.

Current Year Increase

A total of $213,915,549 was appropriated for the IHSS program in fiscal year 1979–80. This includes: (a) $209,913,276 in the 1979 Budget Act, (b) $2,290,000 appropriated by Chapter 1071, Statutes of 1979, for the implementation of paramedical services, (c) $216,000 appropriated by Chapter 1059, Statutes of 1979, for payments to parents as providers of IHSS, (d) $286,523 in additional federal funds to provide IHSS to Indochinese refugees, and (e) $1,209,750 appropriated by Chapter 463, Statutes of 1978, for provider benefits that were not used during 1978–79.

Chart 1
Expenditures for In-Home Supportive Services
General Fund, Federal Funds and Totals
1974-75 to 1980-81
(in millions)



The budget estimates that current year expenditures will total $212,944,-100. This includes (1) $209,913,276 from the 1979 Budget Act, (b) $286,523 in federal funds to provide IHSS to additional Indochinese refugees, (c) $2,655,200 to implement paramedical services authorized by Chapter 1071, Statutes of 1979, (d) $146,100 to pay parents as providers of IHSS pursuant to Chapter 1059, Statutes of 1979, and (e) an offsetting net savings in current year expenditures of $56,999.

Thus, a surplus of $971,449 is anticipated in the current year for this program, including $635,650 in unspent funds for IHSS provider benefits. The department has not yet advised the Legislature of its plans for expending these funds.

Budget Year Proposal

The budget proposes a General Fund appropriation of $149,424,493 for IHSS, which is an increase of $32,346,550, or 27.6 percent, above estimated 1979-80 expenditures. This proposed increase consists of (a) $11.1 million for the General Fund share of an anticipated 7.9 percent growth in caseload, (b) $4.2 million for statutory cost-of-living adjustments for grants which are currently at the maximum level and for other provider increases, (c) $15.4 million for minimum wage increases, and (d) $1.6 million for existing legislative and regulatory requirements.

Total program expenditures are proposed at $249,475,500 for 1980–81. This is an increase of $36,531,400, or 17.2 percent, over estimated current year expenditures and an increase of $71,878,232, or 40.5 percent, over actual 1978–79 expenditures.

Departmental Progress in Addressing Program Problems

Last year we identified three major problems in the In-Home Supportive Services program: unknown program results, unjustified program variations and uncontrolled program growth. During 1979–80 the department attempted to resolve these problems by (1) continuing the implementation of uniform, statewide program regulations adopted April 1, 1979, (2) continuing to refine a reporting format for the IHSS program which identifies costs by mode of service provision, by county, by average hours and by average cost, (3) establishing a range of allowable costs for IHSS delivered by contract providers, (4) developing regulations to implement the parent provider and paramedical services provisions of Chapter 1059, Statutes of 1979 (AB 1134) and Chapter 1071, Statutes of 1979 (AB 1940), and (5) conducting a quality control pilot study of the five counties with the largest IHSS caseloads.

These efforts are positive steps toward defining and restricting variation and uncontrolled growth in IHSS expenditures and determining the actual results of this program. However, the impact of most of them cannot be assessed at this time because they have not been in effect long enough. For example:

(1) The first quarter of participation by all counties in the cost comparison report ended September 1979, but the department will not be able to provide a report on the first period until spring 1980.

(2) The regulations implementing Chapters 1059 and 1071 were issued in January 1980 and had not been fully implemented at the time this analysis was prepared.

(3) The department has postponed, beyond the April 15, 1980 deadline, submission of the report on implementation of the April 1, 1979 regulations requested in the Supplemental Language Report of the 1979 Budget Act because data are insufficient to assess the effectiveness and impact of the regulations.

Inadequate data regarding these efforts hampers our analysis of the budget. In addition, it severely restricts the ability of the department to manage the program effectively. Our analysis indicates that management information which is available to the department is not being applied consistently to resource decisions. For example, available data regarding the number of IHSS service hours actually delivered to clients were not used by the department in its projection of the number of hours subject to minimum wage increases. Instead, a projection of hours was made which is unrelated to actual experience.

IHSS Payrolling System

Chapter 463, Statutes of 1978 (AB 3028), requires the Department of Social Services to ensure that payments for unemployment insurance, disability insurance and workers' compensation are made on behalf of individual providers. Services provided by individual providers account for 83.9 percent of annual IHSS expenditures and 68.3 percent of total annual case months. All but four counties use this mode of service provision for a portion of their caseload.

This act went into effect January 1978. The department originally planned to have the system implemented by November 1978. However, because of problems in the selection of a contractor, the department did not enter into a contract with a private vendor until September 5, 1979. The first checks were mailed by the contractor to individual providers in January 1980.

Initiation of the statewide payrolling system may lead to prompt payment of providers and more accurate expenditure and service data. However, it is too early to assess the effect of this system.

Sacramento County Versus the State of California

In the *Sacramento County v. the State of California* court case, 26 counties are challenging the state practice of reimbursing counties only for actual IHSS service costs and not for costs associated with assessment and administration. In an Interlocutory Judgment issued October 15, 1979, by the Sacramento Superior Court, county claims were upheld and an injunction was issued to prevent the reversion to the General Fund of unspent funds for IHSS from the 1976 Budget Act and subsequent budget acts. Because the case is being considered in two parts—damages and liability—and the damages portion has not been decided, the total amount necessary to reimburse counties for their assessment and administrative costs has not been determined.

Continued Growth in Expenditures

We recommend that Budget Act language be added to Item 312 to require the Department of Social Services to (1) develop and implement a plan for controlling the costs of the In-Home Supportive Services program and (2) submit the plan to the Legislature by December 15, 1980.

The proposed budget requests a 27.6 percent General Fund increase for IHSS and a 17.2 percent increase in total funds. Since 1974–75, expenditures for IHSS have grown by over 300 percent. The average annual increase in expenditures since 1974–75 has been 21.3 percent. Table 8 shows the increases in total funds for IHSS since 1974–75. The average annual increase for the 1978–79 through 1980–81 period will be $35.9 million if the proposed budget increase is approved by the Legislature.

SOCIAL SERVICES PROGRAMS—Continued

Table 8
Total Expenditures for the In-Home Supportive Services Program
1974–75 to 1980–81

	General Fund	*Percent of Total*	*Federal Funds*	*Percent of Total*	*Totals*	*Percent Increase*	*Amount Increase*
1974–75	$25,927,000	32.9%	$52,750,002	67.1%	$78,677,002	—	—
1975–76	44,953,000	46.6	51,415,152	53.4	96,368,152	22.5%	$17,691,150
1976–77	28,908,943	25.0	86,726,828	75.0	115,635,771	20.0	19,267,619
1977–78	53,647,157	39.3	82,743,379	61.7	136,390,536	18.0	20,754,765
1978–79	94,731,134	53.3	82,866,134	46.7	177,597,268	30.2	41,206,732
Estimated 1979–80	117,057,943	54.9	95,865,157	46.1	212,944,100	19.9	35,346,832
Proposed 1980–81	$149,424,493	59.9%	$100,051,007	40.1%	$249,475,500	17.2%	$36,531,400

Quality Control Pilot Study. During the past year, a departmental project has demonstrated that IHSS expenditures can be reduced through greater control over allowable costs. Specifically, a quality control pilot study of the five counties with the largest IHSS caseloads was conducted by the department in September 1978. The sample counties included 55 percent of statewide IHSS caseload and 65 percent of all statewide expenditures.

The primary objective of the pilot study was to test the feasibility of applying quality control techniques used in the AFDC, Food Stamp and SSI/SSP programs to IHSS. The purpose of quality control reviews is to determine, through review of case documentation and contact with a sample of recipients, the percentage of total caseload and expenditures that are subject to specific errors. In the IHSS review, as in AFDC, the error rates tested were (1) payments to persons ineligible for service, (2) overpayments and (3) underpayments.

Findings of the Quality Control Pilot Study. The report on the pilot study states that the error rate attributable to payments to ineligibles far exceeded the comparable rate for the AFDC program during the same period. Table 9 compares the three types of errors as percentages of total caseload and total expenditures. Because the AFDC error rates are taken from a standard six-month review period, the two sets of data are not directly comparable. Nevertheless, this table illustrates the magnitude of the error rates discovered by the IHSS pilot study.

Table 9
Error Rates
IHSS Quality Control Pilot and AFDC
October 1978 to March 1979

	Payments to Ineligibles		*Overpayments*		*Underpayments*	
	Percent of cases	*Percent of payments*	*Percent of cases*	*Percent of payments*	*Percent of cases*	*Percent of payments*
AFDC	3.1	2.5	10.4	3.0	3.5	0.5
IHSS Pilot Study Sample	10.6	15.8	10.6	3.2	3.4	0.6

If the percentage of error in payments identified by the quality control pilot study is an indication of program-wide error, the cost to the General

Fund for payments to ineligibles and overpayments may have been as high as $17.97 million in 1978–79. Table 10 shows the results of applying these error rates to total program expenditures for the past, current, and budget years. Underpayments are not included in the table because the pilot study's findings did not include a significant amount of this type of error.

Table 10
Possible General Fund
Cost of Error Rates Found
by the IHSS Quality Control Pilot
1978–79 to 1980–81
(in millions)

	Payments Ineligibles	*Overpayments*	*Totals*
Actual 1978–79	$14.96	$3.01	$17.97
Estimated 1979–80	18.49	3.72	22.21
Proposed 1980–81	23.59	4.75	28.34
Totals	$57.04	$11.48	$68.52

Applying the sample error rate from the pilot study in 1978–79 to overall program expenditures is *not* conclusive evidence that over $68 million from the General Fund will have been spent in error in the three years ending with 1980–81. However, the potential for significant inappropriate expenditures warrants close attention by the Legislature. This is underscored by the fact that, while the Governor's Budget proposes an increase of $32.35 million for IHSS, expenditures made in error may be as high as $28.34 million in 1980–81.

Cost Control Plan Needed. Since the Quality Control Pilot Study was conducted, the department has issued uniform program regulations that may reduce the error rates in IHSS. However, the impact of these regulations remained uncertain at the time this analysis was prepared.

The Governor vetoed 1979 Budget Act language requiring the department to conduct a cost containment project for all social services programs and to report the results during the 1980–81 budget hearings. He maintained that the Social Services Policy Task Force and the implementation of Chapter 1235, Statutes of 1978 (AB 1642), would accomplish the objectives of the vetoed Budget Act language.

However, during 1979–80, these two efforts have not examined the IHSS program. Consequently, it is clear that the project called for by the Legislature in the 1979 Budget Act is still needed. If program growth continues as it has in the past, total expenditures for IHSS will exceed $300 million in 1982–83. The Department of Social Services is in the best position to identify the steps necessary to contain costs for this program.

For this reason, we recommend that the following Budget Act language be added to Item 312 requiring the Department of Social Services to develop and implement a plan for containing the costs of the In-Home Supportive Services program:

"Provided further that the Department of Social Services prepare and submit to the Legislature by December 15, 1980, a plan for controlling the costs of the In-Home Supportive Services program, including (a) criteria for termination of service, (b) appropriate levels of compensation for providers of in-home supportive services, (c) a schedule for quality con-

SOCIAL SERVICES PROGRAMS—Continued

trol reviews and plans for reducing the amount of General Fund money spent in error, and (d) identification of steps leading to control of county wage setting procedures for IHSS providers."

Minimum Wage Increases

We recommend funds overbudgeted for minimum wage increases to individual providers of in-home supportive services be deleted, for a General Fund savings of $2,899,986.

Background. Minimum wage increases, effective January 1, 1980, and January 1, 1981, will increase costs for the delivery of in-home supportive services by individuals hired directly by recipients and through purchase of service agreements with contract providers.

Budget Proposal. The budget proposes $20,848,300 from the General Fund to provide minimum wage increases to individual and contract providers. This includes $12,829,700 for full-year costs of the January 1, 1980 increase from $2.90 per hour to $3.10 per hour and $8,018,600 for six-month costs of the January 1, 1981, increase to $3.25 per hour.

The amount budgeted for the two minimum wage increases in 1980–81 exceeds the actual amount required for this purpose because the department inappropriately estimated the number of service hours affected by the minimum wage. The department's estimate was derived by dividing total estimated 1980–81 expenditures by $2.90, the minimum wage prior to January 1, 1980. This method overstates the total number of service hours because (1) it includes service hours paid at flat monthly rates rather than by the hour and (2) it includes hours paid at rates higher than the minimum wage.

Using information from the IHSS cost comparison report regarding service hours delivered by individual providers in 1978–79, we have estimated an alternative number of service hours. Table 11 displays the two estimates of service hours which will be affected by the increases in the minimum wage in the 1980–81 budget year.

Table 11
IHSS Service Hours Affected by Minimum Wage Increases
Individual Providers
1980–81

	Based on Projected Expenditures Divided by $2.90	*Projected from Actual 1978–79 Service Hours Paid at an Hourly Rate*	*Difference*
Individual Provider			
Severely Impaired Clients	20,834,163	17,752,983	3,081,180
Nonseverely Impaired Clients	37,518,550	31,676,673	5,841,877

A more accurate calculation of the amount which should be included in the budget for minimum wage increases is derived by applying the amounts of the minimum wage increases to the number of service hours projected from the 1978–79 cost comparison report. Based on this methodology, a total of $17,948,314 is needed to pay the minimum wage to individual and contract providers during 1980–81. The difference between this amount and the amount proposed in the budget is $2,899,986. We therefore recommend a reduction of $2,899,986 to delete funds overbudgeted for minimum wage increases.

Payments at the Statutory Maximum

We recommend that legislation be enacted allowing the Legislature to adjust maximum monthly payments to IHSS recipients by a cost-of-living factor determined through the annual budget process, rather than automatically through statute.

Background. Maximum monthly dollar grants awarded to IHSS recipients are limited by Sections 12304 and 12201 of the Welfare and Institutions Code. Two categories of recipients are identified for purposes of determining the maximum monthly grant level: (a) IHSS recipients who are authorized to receive at least 20 hours per month of personal care, ambulation, paramedical, and other specified services, and (b) recipients who receive less than 20 hours of the specified services.

Existing law requires that the maximum amount of monthly payments to IHSS recipients be adjusted annually to provide cost-of-living increases identical to those statutorily authorized for SSI/SSP recipients. The cost-of-living adjustment is calculated as an average of the percentage changes in the separate consumer price indices for all items for Los Angeles and San Francisco. Based on this formula the 1980–81 estimated percentage increase is 14.65 percent. Table 12 shows the maximum monthly grant rates for 1979–80 and 1980–81 using this estimated rate of increase.

Table 12
Maximum Monthly IHSS Grants
1979–80 and 1980–81

	Estimated 1979–80	*Proposed 1980–81*	*Percent Change*
Recipients receiving 20 or more hours of specified services per month	$664	$761 [1]	14.65%
Other recipients	460	527 [1]	14.65

[1] These amounts are rounded to the nearest dollar and are estimates as of January 25, 1980.

Application of the Increased Monthly Grant. The maximum allowable monthly grant is adjusted on July 1 of each year based on the statutory formula. Section 12304 of the Welfare and Institutions Code stipulates that this increase should not be construed to be a guaranteed increase in an individual recipient's grant amount. However, the budget assumes that all case months being paid at the statutory maximum in the current year will be paid at the higher statutory maximum in 1980–81.

Increasing the maximum allowable monthly grant level affects both the service hours provided to recipients and the amount paid to providers. Recipients of IHSS may receive hourly or flat monthly payments which they use to reimburse their providers. If a recipient's provider is paid on an hourly basis, an increase in the statutory maximum monthly grant will increase the number of hours a recipient may receive during each month. For cases paid at the maximum allowable flat monthly rate, instead of by the hour, an increase in the statutory maximum payment results in an increase in the amount paid the provider.

SOCIAL SERVICES PROGRAMS—Continued

Lack of Flexibility in Setting Spending Priorities

The Legislative Counsel has advised us that "the Legislature is not required to make available a certain amount of funds to carry out county plans for in-home supportive services even though county awards may escalate with increases in the cost-of-living pursuant to statutory formulas". In practice, however, there is tremendous pressure for counties to provide monthly payments at the maximum level permitted by law. The budget proposes $4.4 million from the General Fund to provide a 14.65 percent cost-of-living adjustment for IHSS payments to individuals who are already at the maximum.

Because this increase partially accounts for the continued growth in expenditures of this program, amending current statute to bring the level of cost-of-living adjustments within the legislative budget process will give the Legislature more flexibility in (1) responding to high priorities when resources are scarce and (2) complying with the provisions of Article XIII B (Proposition 4) limiting state appropriations. We discuss several alternate methods for calculating cost-of-living increases in our analysis of the AFDC and SSI/SSP programs (Items 309 and 310).

We therefore recommend that legislation be enacted allowing the Legislature to adjust maximum monthly payments to In-Home Supportive Services recipients by a cost-of-living factor determined through the annual budget process rather than automatically through statute.

OTHER COUNTY SOCIAL SERVICES

Proposed Budget

The budget proposes a total amount of $199,444,340 for Other County Social Services in 1980–81. This is an increase of $10,383,060, or 5.2 percent, over 1979–80. This increase consists of $1,718,751 in county funds and $8,664,309 in additional federal funds.

Program Definition

In our *Analysis of the 1979 Budget Bill* we recommended the Legislature consider enacting legislation to more clearly define county-administered social services funded through Title XX. During the current year, the Department of Social Services is proposing regulations to redesign the Other County Social Services (OCSS) program to replace the nine mandated and fourteen optional services with three programs, consisting of eight services. The proposed program alignment includes (1) information and referral, (2) adult social services programs and (3) family and children's services programs. The department has not yet determined what effect this program redesign will have on the delivery of existing social services. The Department of Finance and the Legislature should consider the program changes and related costs of this program redesign as a single package, as discussed earlier in this analysis.

24-Hour Emergency Response System

We recommend that Item 312 be reduced by $5 million from the General Fund returning the 24-hour emergency response system to a funding pattern comparable to other components of the Other County Social Services program.

Budget Proposal. The budget proposes $10,572,426 for the provision of a statewide 24-hour emergency response system for prevention of child abuse and neglect, of which $5 million is from the General Fund, $2,929,319 is from federal funds, and $2,643,107 is from county funds. This represents an increase of $3,905,759 ($2,929,319 in federal funds and $976,440 in county funds), or 58 percent, over estimated 1979–80 expenditures.

Background. State funds for the 24-hour emergency response system were first made available in the current year. The 1979 Budget Act included a $5 million General Fund appropriation to augment existing local child protective services supported by state, county and federal funds from Title XX and Title IV-B of the Social Security Act. The funds were to be matched by $1,666,667 in county funds. The primary objectives of the new appropriation were to provide and publicize toll-free emergency telephone lines and enable prompt social worker response to reports of child abuse and neglect.

The Supplemental Report of the 1979 Budget Act requested the Department of Social Services to submit (1) a plan for the implementation of the 24-hour emergency response system by September 15, 1979, and (2) a report of the preliminary program impact resulting from this augmentation by April 1, 1980.

System Implementation. In order to participate in this program, counties were required to provide a 25 percent match for available General Fund dollars. Each participating county was also required to submit a plan detailing its existing child protection program and its proposed use of 24-hour response system funds for providing (1) the basic response system and (2) backup services, which may include emergency caretakers and homemakers, followup treatment and emergency shelter.

According to a December 30, 1979, update of information provided in the department's September 15, 1979 plan, 43 county plans had been approved, 4 counties had been granted conditional approval, and 11 counties had either not submitted their plans, declined the offer of additional state funding or had their plans rejected by the department.

Table 13 displays the planned use of 1979–80 emergency response funds in the six counties receiving the largest allocations, and in other counties with approved and conditionally approved plans. The table shows that $3,856,425, or 77 percent, of the original $5 million General Fund appropriation is planned to be used by counties for the basic response system. The remainder is either planned to be used for back-up services ($926,343), or is unallocated ($217,232).

SOCIAL SERVICES PROGRAMS—Continued

Table 13
Selected Counties Projected Expenditures for the 24-Hour Emergency Response System by Expected Use 1979–80 [a]

	Basic System			*Back-Up Services*			
	State	*County*	*Total*	*State*	*County*	*Total*	*Totals*
Alameda	$225,023	$75,001	$300,004	—	—	—	$300,004
Contra Costa........	105,618	35,201	140,819	$32,250	$10,750	$43,000	183,819
Los Angeles	844,056	281,352	1,125,408	685,586	228,528	914,114	2,039,522
Orange........	344,872	114,957	459,829	74,250	24,750	99,000	558,829
San Diego ..	377,817	125,938	503,755	—	—	—	503,755
Santa Clara	291,072	97,024	388,096	—	—	—	388,096
Other counties	1,667,967	558,391	2,226,378	134,257	44,753	179,010	2,405,388
Totals	$3,856,425 [b]	$1,287,864	$5,144,289	$926,343 [b]	$308,781	$1,235,124	$6,379,413

[a] Source: Department of Social Services, December 1979

[b] Because some counties did not submit plans and therefore did not receive allocations, projected expenditures of General Fund 24-hour emergency response system funds for the basic system and for back-up services do not total to $5 million. Unallocated funds total $217,232.

Our analysis indicates that continued General Fund support of this program is inappropriate.

First, *there is no specific statutory authority for this program.* The regulations developed by the department for implementing this response system cite Sections 10553 and 16502 of the Welfare and Institutions Code as the department's statutory authority. These sections, however, do not address a 24-hour response system, or an expanded state role in the other county social services program. Instead, they establish the Director of the Department of Social Services' authority to promulgate regulations for the administration of social services programs and establish the overall child protective services program in California.

Second, *the department's reporting system cannot yet produce information on the number of referrals, dispensation of cases, actual prevention of family separations, or actual expenditures.* Therefore, no analytical basis currently exists to determine the effectiveness of funds spent on the 24-hour response system in 1979–80.

Third, *the allocation method is deficient.* According to the department, the allocation method used in 1979–80 probably will be used in 1980–81. This allocation method does not take into account funds available from other sources in considering the counties' need for 24-hour emergency funds. For example, in 1979–80, there was approximately *$120 million available to the counties for programs addressing child abuse, neglect and protection,* such as the 24-hour response system ($4.1 million through Title IV-B and $116 million through Title XX). If an improved response system is identified by counties as an important need, counties should be required to use available resources for that service, as they are for other aspects of the Other County Social Services program.

Fourth, *new federal funds should be used to replace state funds for this activity.* Both versions of HR 3434 propose to amend Title XX and Title IV-B of the Social Security Act and increase funds available to the states for children's protective and welfare services. If this bill is enacted, the department anticipates an $80 million increase in federal funds for other county social services, of which children's protective services are a major part. Of the $80 million increase, the budget proposes to use $2,929,319 for the 24-hour response system. The 24-hour emergency response system should appropriately be (a) included in the expanded children's services proposed to meet the objectives of HR 3434 and (b) supported entirely on the basis of 75 percent federal/25 percent county funds as are other components of the Other County Social Services program.

For these reasons, we recommend that General Fund support for the 24-hour emergency response system be deleted. Adoption of this recommendation would return the response system to a funding pattern comparable to other social services programs and result in a General Fund savings of $5 million. This recommendation would leave $5,572,426 budgeted for the 24-hour emergency response system. This amount would be sufficient to continue the basic system. If counties choose to provide back-up services, it is appropriate that funds included in the budget for other county social services and child welfare services be used in lieu of continued General Fund support. As noted earlier, over $120 million is available to the counties for programs addressing child abuse, neglect and protection, allowing counties ample flexibility to fund back-up services.

OTHER SOCIAL SERVICE ACTIVITIES

Community Care Licensing

Community care facilities provide nonmedical residential care, day care, or homefinding services for children and adults. The Community Care Facilities Act of 1973 (Health and Safety Code, Section 1500 et. seq.) established minimum standards of care and services in community care facilities and for the licensing and evaluation of the facilities. The Department of Social Services develops regulations, conducts facilities evaluation, and contracts with counties to license and evaluate community care facilities.

In 1979–80, 48 counties contracted with the state to license approximately 70 percent of all community care facilities in California. About 90 percent of the county-licensed facilities are family day care or foster homes for children. The Department of Social Services is responsible for assuring the performance of county licensing agencies, and it also directly licenses about 26 percent of the state's community care facilities. Expenditures for direct state facilities evaluation are included in Item 309, Departmental Support.

Current Year Deficit. The department estimates that current year expenditures for community care licensing will exceed appropriations by $275,224. Current year expenditures for county-administered community care licensing will exceed the amount budgeted in the 1979 Budget Act by $378,724, or 2.8 percent. This is the result of (1) increased expenditures of $196,032 to cover higher-than-anticipated cost-of-living salary increases for county staff, (2) $68,292 for the implementation of several regulations during 1979–80, and (3) a net increase of $114,400 to implement family day care registration pilot projects authorized by Chapter 1063, Statutes of 1978 (AB 1368). Chapter 1063 appropriated $112,000 from the General Fund and transferred $8,500 originally budgeted for county licensing in the local assistance budget item to the departmental support budget item.

SOCIAL SERVICES PROGRAMS—Continued

The net effect of these adjustments is a current deficit of $275,224. The department has not yet advised the Legislature how it intends to fund the community care licensing deficit in the current year.

Budget Year Increase. The budget proposes $16,857,400 from the General Fund to support facilities evaluation and licensing by counties under contract with the Department of Social Services. This is an increase of $3,302,908, or 24.4 percent, over estimated 1979–80 expenditures.

This proposed $3.3 million increase is composed of (a) $1,537,600 for cost-of-living increases to county licensing staff, (b) $514,808 for the implementation of new regulations, including the family day care registration pilot project, (c) $770,500 for an anticipated 6.4 percent increase in the number of licensed facilities and (d) $480,000 for increased grants to counties based on the implementation of a revised cost allocation formula.

Revised Allocation Procedure

We withhold recommendation on a proposed community care licensing increase of $523,200 pending receipt of (a) the Management Analysis Bureau's workload study and (b) an explanation of how the study was used to determine the proposed county allocations.

Current Allocation Method. The existing procedure for allocating funds to counties which perform facilities evaluation is based on an estimate of each county's annual costs for fiscal year 1978–79, adjusted for (a) estimated increases in the number of facilities licensed, (b) costs of special requirements and (c) a 6.7 percent cost-of-living increase. This procedure perpetuates existing variations in licensing costs among counties. For example, 1979–80 allocations to the 48 contracting counties allowed a variation in average cost per license from $49 to $1,037, and a variation in hours spent per license from 3 to 42. Table 14 displays the variation permitted under the current allocation procedure. The counties selected are the five largest and five smallest counties in the state.

Table 14
Facilities Evaluation
Estimated Costs per License
Selected Counties
Based on 1979–80 Allocation

	Average Monthly Number of Facilities Licensed July–Dec. 1978	*1979–80 Allocation*	*Estimated 1979–80 Average Cost per License* [a]	*Estimated Number of Hours Spent per License*
Alameda	1,931	$969,187	$428.77	14.5
Almador	35	5,749	116.38	7.8
Contra Costa	424	352,487	1,036.80	42.8
Del Norte	76	6,934	88.82	5.1
Los Angeles	7,361	3,158,174	433.88	19.1
Mariposa	12	6,393	494.16	29.0
Modoc	18	1,339	48.90	3.0
San Diego	3,129	1,103,886	309.34	12.1
Santa Clara	2,676	1,498,886	502.64	23.6
Tuolumne	42	$7,840	249.20	15.1

[a] This column was derived by multiplying the estimated number of hours spent per license in 1979–80 by the estimated cost per hour in 1979–80.

Proposed Allocation Method. The proposed allocation method will use workload standards developed by the department's Management Analysis Bureau in a study of *state* licensing staff. The department advises that the revised allocation formula, which it intends to use on a temporary basis, is based on annual workload standards of 150 licensed day care facilities or 75 licensed residential care facilities per evaluator. We have been unable to verify the appropriateness of the 150 and 75 caseload assignments because the Management Analysis Bureau study has not been released. Without reviewing this workload study, we have no analytical basis on which to evaluate the revised allocation method and the increased costs associated with it.

Pending receipt of (a) the Management Analysis Bureau's study and (b) an explanation of how the study was used to determine the proposed allocations, we withhold recommendation on the proposed increase of $523,200 ($480,000 for additional evaluation costs and $43,200 for a related 9 percent cost-of-living adjustment).

Adoptions

The Department of Social Services administers a statewide program of services to parents who wish to place children for adoption and to persons who wish to adopt. Adoptive services are provided through three state district offices, 28 county adoption agencies and a variety of private agencies. There are three major adoption programs: (1) relinquishment adoptions, the freeing of a child from parental custody and placement in an adoptive home; (2) independent adoptions, cases in which the natural parents and the adoptive parents agree on placement without extensive assistance from an adoption agency; and (3) intercountry adoptions involving children from countries other than the United States.

The adoptions program is primarily supported from the General Fund with the exception of a maximum fee of $500 collected from adoptive parents. The General Fund supports case work provided by the state and by county agencies, and reimburses private adoption agencies for placement of hard-to-place children.

Current-Year Deficiency. The total expected adoptions deficit in 1979–80 is $1,701,870, consisting of $1,443,500 for increased caseload, $272,070 for the higher cost-of-living adjustment, $8,000 for increased reimbursements to private adoption agencies as a result of the enactment of Chapter 489, Statutes of 1979 (AB 296), and an offsetting increase in fees of $21,700.

Estimated expenditures for the adoptions program exceed the amount budgeted in the 1979–80 Budget Act for two major reasons. First, projections of current year caseload estimates have been revised to show growth in adoptive placements. Second, counties were allowed to increase the salaries of their employees by a 7.4 percent, which is higher than the 6.0 percent increase originally budgeted. This resulted from a court ruling on county employee collective bargaining.

The department has not yet advised the Legislature how it intends to fund the proposed adoptions deficit in the current year.

Budget Proposal. The budget proposes $17,584,043 to support the state adoptions programs in 1980–81, which is an increase of $2,312,343, or 15.1 percent, over estimated current year expenditures. This increase consists of (a) $773,110 for a 5.4 percent increase in the number of placements, (b) $64,900 for continuation of 1979–80 cost-of-living increases for the additional caseload, (c) $1,469,043 for 1980–81 cost-of-living increases for county staff, (d) an offsetting increase in fees of $2,700, and (e) $8,000 for reimbursements to private adoption agencies for placing "hard to place" children.

No Caseload Increase Expected

We recommend funds budgeted for a 5.4 percent growth in the number of adoptive placements be deleted, for a General Fund savings of $982,588.

Background. The number of adoptive placements is controlled by the availability of resources, the time limits placed on various phases of the adoption process, and the number of available adoptive children. For example, the final outcome of federal court rulings on Medi-Cal funded abortions may ultimately affect the number of children available for adoption.

The state is required by statute to reimburse counties for delivering adoption services. The state, however, may specify allowable county costs. The Legislature is not required to increase funding for the adoptions program when caseload increases as it must under entitlement programs.

No Increase in Adoptive Placements. The budget estimates adoptive placements will increase during 1980–81 by 5.4 percent over 1979–80, based on the assumption that the number of placements will grow at a steady rate throughout 1979–80 and 1980–81. Our analysis of the number of adoptive placements since 1974–75 indicates that there have been erratic increases and declines in the number of adoptive placements.

Chart 2 displays the trend in adoptive placements since 1974–75. The 1979–80 and 1980–81 projections of the Department of Social Services and the Legislative Analyst are also shown. This chart illustrates the cyclical nature of adoptive placements. In all five fiscal years shown, the fourth quarter exhibited a dramatic increase in placements. However, the fourth quarter increases have not reversed an overall decline in the number of adoptive placements since 1974–75. The data shown on Chart 2 do not support the conclusion that the number of adoptive placements will increase in a straight line growth trend in 1980–81 as proposed by the department. Based on the data for the 1974–75 through 1978–79 period, we conclude that the number of adoptive placements will remain the same or decrease during 1980–81. Table 15 shows the annual placement totals for the same period.

Because data provided by the department do not support an expected increase in the number of adoptive placements, we recommend funds budgeted for a 5.4 percent caseload increase be deleted, and instead recommend that funds be budgeted at the caseload level justified by our analysis. This will result in a General Fund savings of $982,588. This

Chart 2
Total Adoption Placements By Quarter 1974–75 to 1980–81

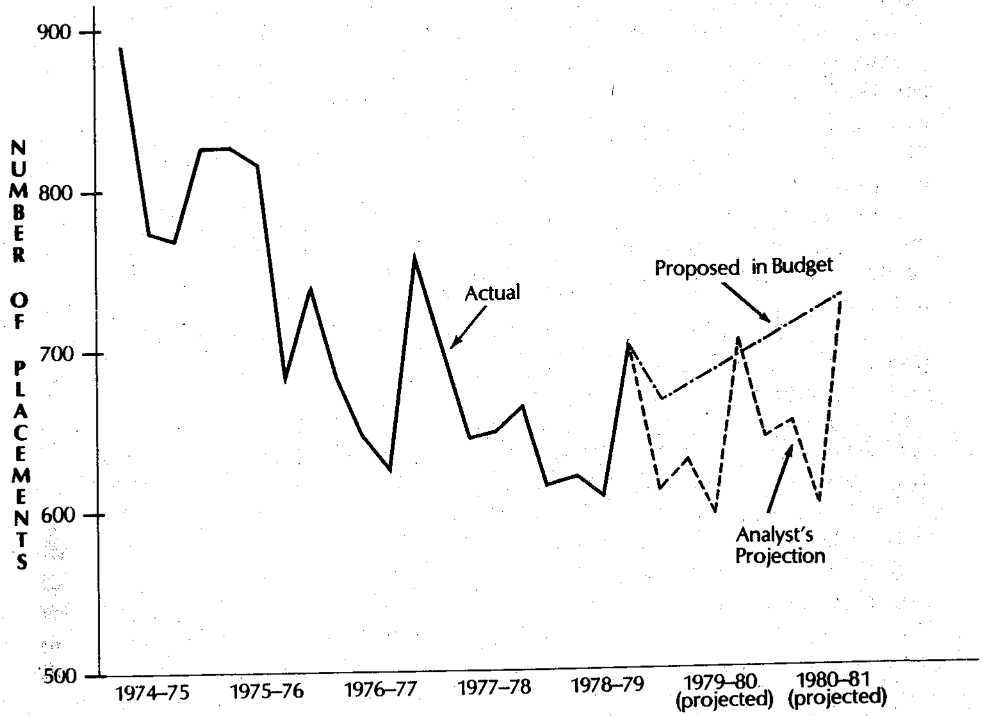


Table 15
Number of Annual Adoption Placements
1974–75 to 1980–81

	Total Annual Adoption Placements
1974–75	3,257
1975–76	3,071
1976–77	2,709
1977–78	2,396
1978–79	2,545
1979–80 (Department of Social Services)	2,715
(Legislative Analyst)	2,550
1980–81 (Department of Social Services)	2,862
(Legislative Analyst)	2,703

amount consists of two parts: (a) a reduction of $836,148 in basic program costs arrived at by applying our estimate of the number of placements to the department's unit cost of $5,263 per placement, and (b) a reduction

SOCIAL SERVICES PROGRAMS—Continued

of $146,440 in funds budgeted for 1979–80 and 1980–81 cost-of-living increases for the unsubstantiated caseload growth.

Rape Victim Counseling Centers—Additional Funds Not Needed

We recommend that the department implement a uniform contract period for rape victim counseling centers that corresponds with the state fiscal year, for a General Fund savings in the budget year of $135,050.

Background. Chapter 1312, Statutes of 1978, appropriated $100,000 for the 1978–79 fiscal year to support local rape victim counseling centers and to encourage the establishment of new centers. The Legislature appropriated an additional $200,000 in Item 288.1 of the Budget Act to continue the program in 1979–80.

Delayed Implementation of Item 288.1. The department advises that it will use the $200,000 Budget Act appropriation to provide grants to 36 centers in the current year. Of the 36 centers, 20 are centers which did not receive grants in 1978–79.

Because of a delay in processing proposals and negotiating grant agreements with the centers, the department advises that the 20 new centers will not begin operation until February 1, 1980. The 16 continuing centers will begin their second year of funding in late March 1980. As a result of this delay, the department anticipates that only $76,092 of the $200,000 appropriation will actually be spent during 1979–80. The remaining $123,908 will be encumbered in 1979–80 but will actually be used to continue the centers through a portion of the 1980–81 fiscal year.

Budget Proposal. The budget proposes $218,000 from the General Fund to continue funding for the centers for an additional 12 months. Because the current year contract cycle for this program will not end until January 31, 1981 for the 20 new centers and March 31, 1981 for the 16 continuing centers, the budget needs to appropriate funds for only five and three months respectively in order to continue all centers through the end of fiscal year 1980–81. The amount required to fund the existing 36 centers through the end of fiscal year 1980–81 with a 9 percent cost of living adjustment is $82,950. We therefore recommend a General Fund reduction of $135,050. In order to prevent this problem from recurring in the future, we further recommend that the department implement a uniform contract period which corresponds with the state fiscal year.

Licensed Maternity Care Homes—Budget Inclusion Needed

We recommend that (1) legislation be enacted to appropriate funds for this program in the annual budget process and (2) Budget Act language be added to appropriate $2,112,000 in lieu of Section 16151 of the Welfare and Institutions Code, for a General Fund savings of $81,400.

Legislative History. Chapter 1190, Statutes of 1977, the Pregnancy Freedom of Choice Act, established the Licensed Maternity Care Homes program. This act is designed to provide pregnant unmarried women, under the age of 21, the choice between interrupted pregnancy and full-term pregnancy by providing counseling and residential treatment services through licensed, nonprofit maternity homes. The act appropriated

$1.2 million for anticipated half-year costs in 1977–78. The statute further provided for a $2.4 million annual continuing appropriation to carry out the provisions of this program.

Program Administration. The department executed its first set of contracts with nine licensed maternity care homes in September 1978. The contracts stipulate the number of individuals the homes expect to serve and the monthly rate the state will pay for each individual residing in the homes.

Monthly Rates. The enabling legislation established a monthly rate of $965 and provided that the department could increase the rate by as much as 10 percent each July 1. The 1979–80 rate increase allowed a maximum monthly payment of $1,062 and the 1980–81 rate increase will allow a maximum monthly payment of $1,168. In 1980–81, three of the nine contractors, serving approximately 23 percent of the caseload, will not charge the maximum rate.

Budget Proposal. The budget indicates that the department will spend $2,193,400 in funds continuously appropriated by the Welfare and Institutions Code for the licensed materntiy care home program in 1980–81. This is an increase of $214,700 or 10.85 percent over current year contracted expenditures. This increase is due to a 10.85 percent cost-of-living adjustment.

Our analysis indicates that the Legislature would have (1) a greater degree of program review and fiscal control and (2) more budgetary flexibility if legislation was enacted to fund this program in the annual budget process, rather than through a continuous statutory appropriation.

Expenditures will Surpass Appropriation. Each year, the amount spent on maternity care programs increases as a result of the 10 percent rate increase authorized by the statute. Table 16 displays alternative expenditure trends for 1979–80 through 1982–83 based on four different assumptions: 1) increasing each contractor's rate by 10 percent per year, (2) increasing the proposed 1980–81 total funding level by 10 percent annually, (3) increasing the 1979–80 contract amount by 10 percent annually, and (4) increasing estimated expenditures by 10 percent annually. Regardless of the methodology employed, Table 16 indicates resource requirements for this program will exceed the statutory appropriation by 1982–83.

Table 16
Licensed Maternity Care Homes
Alternative Expenditure Trends
1979–80 to 1982–83

Assumptions[a]	*Estimated 1979–80*	*Proposed 1980–81*	*Projected 1981–82*	*Projected 1982–83*
1. Contractor's rates and caseloads	$1,978,719	$2,070,499	$2,277,548	$2,505,303
2. Governor's 1980–81 Budget	1,978,719	2,193,400	2,412,740	—
3. 1979–80 Contract amounts	1,978,719	2,176,590	2,394,249	2,633,674
4. 1979–80 Estimated expenditures	1,850,000	2,112,000	2,323,200	2,555,520

[a] Each of the assumptions are increased by 10 percent annually.

Because (1) it is likely that this program will reach its funding limit in

SOCIAL SERVICES PROGRAMS—Continued

the next year or two, and (2) the budget process allows the Legislature the greatest degree of flexibility for assessing need and determining spending priorities, we recommend that legislation be enacted to include funding for this program in the annual budget process.

Budget Act Language Needed. The budget indicates that the department will spend $2,193,400 for this program. Because this amount is less than that appropriated in Section 16151 of the Welfare and Institutions Code (Chapter 1190, Statutes of 1977), Legislative Counsel advises that the Budget Act should include language making an appropriation in the Budget Act "in lieu of statutory appropriations."

Overbudgeting for 1980–81. The total expenditure proposed for this program in the 1980–81 budget, $2,193,400, was derived by applying a 10.85 percent price increase directly to the total 1979–80 contract amount. This methodology overlooks (1) the statutory requirement that price increases be applied to monthly rates per client and not to the total expenditure level, (2) homes serving 23 percent of the caseload will increase their rates by less than 10 percent in 1980–81, (3) total expenditures in 1978–79 were less than the total contract amount, and (4) total expenditures in 1979–80 are estimated to be less than the total contracted amount for the current year.

Based on the current, stable caseloads of contractors, we estimate program requirements of $2,070,499 in the budget year. Alternatively, the highest reasonable estimate of program expenditures in 1980–81 is $2,112,000, based on estimated current year expenditures.

We recommend that language be added to Item 312 to appropriate $2,112,000 for the Licensed Maternity Care Home program in lieu of funds appropriated by Section 16151 of the Welfare and Institutions Code. The adoption of the following language will result in a General Fund savings in 1980–81 of $81,400:

"Provided further that $2,112,000 appropriated for the Licensed Maternity Care Home program is made in lieu of Section 16151 of the Welfare and Institutions Code;"

Social Services for Indochinese Refugees

The Governor's Budget proposes $29,039,600 in federal funds for social services to Indochinese refugees. This is an increase of $10,380,300 or 66.3 percent over estimated current year expenditures. The funds will be used to continue contracts with private agencies providing social services, job placement, and training in English as a second language ($20,575,500) and to support social services provided to refugees by county welfare departments ($8,464,100).

Continued Federal Funding. The Indochinese Refugee Assistance Program (IRAP) provides federal funds to states and directly to providers for cash assistance, medical assistance and social services to refugees. The Cambodian Relief Act (PL 96-110) assured 100 percent federal funding for IRAP until September 30, 1981.

Program Growth. In 1978–79, the Department of Social Services had contractual agreements with approximately 20 private agencies for IRAP.

During 1979–80 the number increased to over 40. In order to administer the contracts and perform other functions related to IRAP, the department has requested 16.5 new positions which are discussed in Item 309 of our analysis.

WIN Social Services

The budget proposes $635,500 from the General Fund to provide child care costs for participants in the Work Incentive (WIN) program. This is an increase of $226,200, or 55.2 percent, over 1979–80 expenditures for this program. The increase includes: (1) $70,154 to provide a 10 percent state match for a special welfare reform pilot in Long Beach and (2) $156,046 for caseload growth and cost-of-living increases.

Total proposed funds for WIN ($19,725,400) include (1) $635,500 from the General Fund for child care, (2) $5,719,300 in federal funds for child care and (3) $12,033,500 in federal funds and $1,337,100 in county funds for the cost of administering WIN separate administrative units (SAUs). WIN SAUs are administered by county welfare departments to provide social services to AFDC recipients who register and participate in employment or training through the WIN program.

Demonstration Programs

The budget proposes $3,511,905 from the General Fund for demonstration programs, which is a decrease of $132,846, or 3.6 percent, from 1979–80 estimated expenditures. The net decrease consists of a decrease of $1,630,391 resulting from project terminations offset by an increase of $1,497,545 for three remaining projects. The total amount proposed for demonstration programs is $3,880,998, including $100,000 in county funds and $269,093 in federal funds.

Four projects will be funded through three demonstration programs. First, an IHSS project will receive $118,265 for a third year to develop a model for making "equitable" needs assessments. Second, Multipurpose Senior Services Project funds not spent during 1979–80 ($1,493,640) will be carried forward for a third year. This project is discussed in our analysis of Item 35. Third, projects in San Mateo and Shasta counties authorized by the Family Protection Act (Chapter 21, Statutes of 1977) will be funded at $1.9 million including $125,000 for state administration costs. These projects will be completed on June 30, 1981.

Department of Social Services

COUNTY ADMINISTRATION OF WELFARE PROGRAMS

Item 313 from the General Fund — Budget p. HW 152

Requested 1980–81	$101,146,100
Estimated 1979–80	95,397,811
Actual 1978–79	187,714,891
Requested increase $5,748,289 (+6.0 percent)	
Total recommended reduction	$20,909,371

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Administrative Costs for Cash Assistance Programs. Recommend that federal funds in item 313 be increased by $6,900,700 and that federal funds in Item 311 (special adult programs) be reduced by a similar amount. 940
2. *Fiscal Sanctions for High Error Rates. Reduce by $20,909,371.* Recommend: 941
   a. Reduction of $20,909,371 from the General Fund to recover state funds misspent by counties with error rates above 4 percent for the quality control period October 1978–March 1979.
   b. The reduction of $20,909,371 be scheduled in Item 313 under AFDC Administration.
   c. Control language requiring that the General Fund allocation to each county be reduced by the amount of state funds the county misspent for October 1978–March 1979.
   d. Legislation be enacted requiring that fiscal sanctions be applied against counties with high error rates in order to recover state funds misspent by counties.
   e. Department develop a plan, prior to budget hearings, for improving the reliability of its quality control error rate data.
3. Child Support Enforcement Program. Recommend that Legislation be enacted which allows the state and counties to recover their administrative costs for child support enforcement services provided to nonwelfare recipients. 947

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation for the state's share of costs incurred by the counties for administering: (a) the AFDC program, (b) the Child Support Enforcement program, (c) the Food Stamp program, and (d) special benefits and emergency payment programs for aged, blind and disabled recipients. The costs for training county eligibility and nonservice staff also are shown in this item.

Table 1
Expenditures for County Welfare Department Administration
1979–80 and 1980–81

	Estimated 1979–80				*Proposed 1980–81*							
									Percent Change			
Program	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*	*Federal*	*State*	*County*	*Total*
AFDC administration	$125,997,200	$62,713,900	$62,713,800	$251,424,900	$140,553,000	$68,616,200	$68,616,500	$277,785,700	11.6%	9.4%	9.4%	10.5%
Food stamp administration	35,155,600	17,577,400	17,577,500	70,310,500	32,484,400	16,199,500	16,199,500	64,883,400	−7.6	−7.8	−7.8	−7.7
Child support enforcement administration:												
Welfare	45,130,500	—	15,043,500	60,174,000	49,192,300	—	16,397,400	65,589,700	9.0	—	9.0	9.0
Nonwelfare	—	11,813,900	3,938,000	15,751,900	—	12,877,200	4,292,400	17,169,600	—	9.0	9.0	9.0
Administration of special adult programs	23,900	2,327,800	21,000	2,372,700	—	2,537,400	22,900	2,560,300	—	9.0	9.0	7.9
Staff training	5,415,232	964,811	840,300	7,220,343	5,495,200	915,800	915,900	7,326,900	1.5	−5.1	9.0	1.5
Totals	$211,722,432	$95,397,811	$100,134,100	$407,254,343	$227,724,900	$101,146,100	$106,444,600	$435,315,600	7.6%	6.0%	6.3%	6.9%

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $101,146,100 from the General Fund as the state share of county administration of welfare programs in 1980–81. This is an increase of $5,748,289, or 6.0 percent, over estimated current year expenditures.

Total expenditures of $435,315,600 are proposed for county administration of welfare programs in 1980–81. This is an increase of $28,061,257, or 6.9 percent, over estimated current year expenditures. Table 1 shows the total expenditures for county welfare administrative costs.

Table 2 shows the proposed changes in General Fund expenditures for county administration of welfare programs. The largest General Fund increase is $8,267,800 to provide a 9 percent cost-of-living increase for county welfare departments. This is offset by estimated savings of $2,905,200 in the administration of the Food Stamp program due to a projected decrease in Food Stamp caseload.

Table 2
Proposed 1980–81 General Fund Changes
For County Welfare Department Administration

	Cost	Total
1979–80 Current Year Revised		$95,397,811
Baseline Adjustments:		
A. AFDC Administration		
1. 9 percent cost-of-living for 1980–81	$5,582,800	
2. Adjust 1979–80 cost-of-living for caseload	206,200	
3. Other adjustments	113,300	
Total		$5,902,300
B. Food stamp administration		
1. 9 percent cost-of-living for 1980–81	1,336,500	
2. Adjust 1979–80 cost-of-living for caseload	−57,300	
3. Projected caseload decrease	−2,905,200	
4. Indochinese refugee administrative costs	276,800	
5. Other adjustments	−28,700	
Total		$−1,377,900
C. Child support enforcement—Nonwelfare recipients		
1. 9 percent cost-of-living for 1980–81		$1,063,300
D. Administration of special adult programs		
1. 9 percent cost-of-living for 1980–81		$209,600
E. Staff training		
1. 9 percent cost-of-living	$75,600	
2. Nonrecurring expense—training of county fair hearing representatives	−124,611	
Total		$−49,011
F. Total budget increase		($5,748,289)
G. General Fund Expenditures		$101,146,100

Scheduling of Federal Funds for County Welfare Department Administrative Costs

We recommend that federal funds for county welfare administrative costs scheduled in Item 313 be increased by $6,900,700 and that federal funds for county administrative costs in Item 311 (special adult programs) be reduced by $6,900,700.

Item 311 contains $6,900,700 in federal funds for county administrative costs related to two refugee programs: (1) Indochinese refugees and (2) Cuban refugees. In our analysis of Item 311, we recommend that the funds be budgeted in Item 313 because this item contains the funds for county welfare administrative costs. Thus, in order to facilitate legislative review, we recommend that federal funds in Item 313 be increased by $6,900,700 to reflect the reduction in federal funds in Item 311.

Fiscal Sanctions for High Error Rates

We recommend:

a. *Reduction of $20,909,371 from the General Fund to recover state funds misspent by counties with error rates above 4 percent for the quality control period October 1978–March 1979.*
b. *The reduction of $20,909,371 be scheduled in Item 313 under AFDC Administration.*
c. *Control language requiring that the General Fund allocation to each county be reduced by the amount of state funds the county misspent for October 1978–March 1979.*
d. *Legislation be enacted requiring that fiscal sanctions be applied against counties with high error rates in order to recover state funds misspent by counties.*
e. *Department develop a plan, prior to budget hearings, for improving the reliability of its quality control error rate data.*

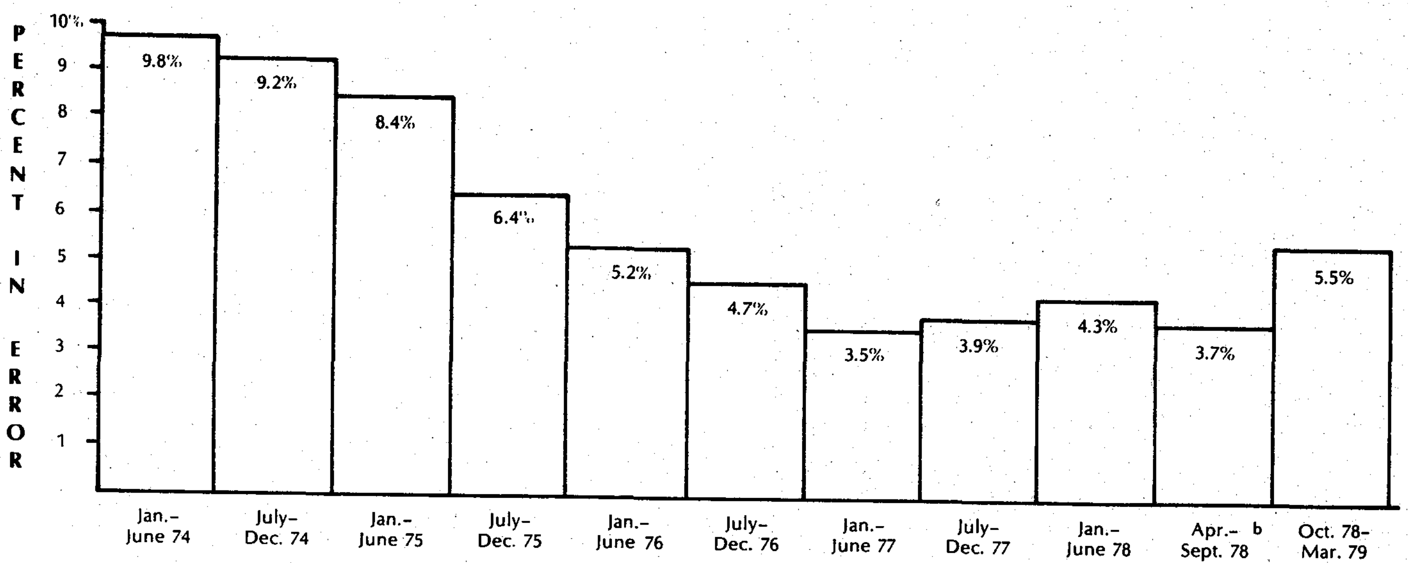
Historically, California's error rates for the administration of the AFDC program have been among the lowest of all states. In addition, California has had one of the lowest error rates among states that have large caseloads. For example, for the period of January through June 1978, California's payment error rate was 4.3 percent; New York's was 13.0 percent; Pennsylvania's was 16.1 percent; and Illinois' was 19.5 percent. California's low error rates were achieved at a time when the counties were paying approximately 16 percent of the costs for AFDC grants.

Fiscal Sanction Provisions of SB 154. As a result of passage of SB 154, the state assumed the county costs for AFDC grants during 1978–79 while the counties continued to administer the program. The act also contained language allowing the Director of the Department of Social Services to hold counties financially liable for excessive error rates in the administration of the AFDC program. In addition, the director was given the authority to establish the error rate standard for which counties would be held fiscally liable.

The department issued regulations establishing a 4 percent payment error rate for 1978–79. For fiscal sanction purposes, payment error rate was defined as payments to ineligible recipients and overpayments to eligible recipients.

In order to determine the county error rates, the department augmented its federally-required quality control sample of 1,200 cases by 3,800 cases for a total of 5,000 cases reviewed during each six-month reporting period. This provided a minimum sample of 120 cases for each of the 34 largest counties. These counties represent approximately 85 percent of the statewide caseload.

Chart 1
Statewide AFDC Payment Error Rates[a]
January 1974 to March 1979



[a] Combined payment error rates for overpayments and payments to ineligibles.

[b] Effective July 1, 1978, federal quality control review periods were changed from January through June and July through December to April through September and October through March.

The first complete quality control period for 1978–79 was October 1978 through March 1979. The statewide payment error rate for this period was 5.5 percent, as shown in Chart 1. This was an increase of 49 percent over the error rate for the previous reporting period. It was also the highest error rate for the state during the last three years. This error rate represents misspent funds for a six-month period of $47,737,700, of which the federal government paid $23,590,500 and the state paid $24,147,200.

Table 3 shows that among the 34 largest counties, the error rate ranged from a low of 0.8 percent in Kern County to a high of 10.7 percent in San Francisco County. Ten counties exceeded the statewide error rate of 5.5 percent and 15 counties had error rates above the 4 percent standard set by the department. Of the 11 counties with the largest caseloads, six had error rates above the statewide average.

Table 3
Thirty-four Largest Counties
AFDC Payment Error Rates
October 1978 through March 1979

County	*Payment Error Rate*
*San Francisco	10.7%
*San Diego	9.5
San Mateo	8.5
*Los Angeles	7.4
*Contra Costa	7.3
*San Bernardino	7.3
Sonoma	7.2
San Luis Obispo	6.6
*Alameda	5.9
Marin	5.7
Statewide	5.5
Ventura	5.1
*Orange	4.8
Mendocino	4.5
Santa Barbara	4.4
Merced	4.1
Imperial	4.0
Monterey	4.0
*Fresno	3.9
Kings	3.7
Madera	3.7
*Santa Clara	3.6
Shasta	3.5
Yolo	3.4
San Joaquin	3.3
Santa Cruz	3.3
*Riverside	3.2
Solano	2.9
*Sacramento	2.4
Tulare	1.9
Butte	1.7
Humboldt	1.4
Stanislaus	1.4
Yuba	0.9
Kern	0.8

* Eleven largest counties. Source: Department of Social Services.

Fiscal Sanction Provisions of AB 8. AB 8 contains language allowing the director to apply fiscal sanctions against counties for high error rates in 1979–80 and subsequent years. In addition, Chapter 1133, Statutes of 1979 (AB 339), requires the director to notify the Joint Legislative Budget Committee by January 30, 1980, of the error rate standard to be in effect during 1979–80. The act requires that beginning with fiscal year 1980–81, the error rate standard shall be established in the budget.

Will Fiscal Sanctions Be Applied? We asked the department in January 1980 if it planned to apply fiscal sanctions against counties with high error rates. The department responded that it would not sanction counties for the first two quality control periods (October 1978–March 1979 and April 1979–September 1979). The department indicated that sanctions might be applied during the third quality control period of October 1979–March 1980.

The department cited the following reasons for not exercising its sanction authority. First, the increased error rates during 1978–79 could be partially due to low morale among county welfare employees, who at the time thought they would not receive cost-of-living increases during 1978–79 due to the passage of Proposition 13. Second, county welfare departments were implementing major changes required by the federal government in the administration of the Food Stamp program during this period. Third, the counties had expressed concern about the size of the quality control sample and therefore the reliability of the error rate data.

We have no basis for determining why the statewide error rate increased significantly for the period October 1978 through March 1979. Furthermore, we do not know whether this is a temporary or permanent deterioration in the quality of AFDC program administration. Error rate data for the second quality control period (April 1979–September 1979) are not available as of this writing. The department indicates that this information will be available in early 1980.

Misspent Funds Can Be Recovered. We asked the Legislative Counsel if the Legislature could recover misspent state funds from counties with error rates in excess of the error rate standard for the period October 1978–March 1979. The Legislative Counsel has informed us that the Legislature can recoup misspent funds from counties with error rates in excess of the error rate standard for any period after October 1978 by reducing the General Fund appropriation for county welfare department administrative costs (Item 313).

If the department had applied fiscal sanctions against counties with error rates above 4 percent, the state would have recovered $20,909,371 in misspent funds for the period of October 1978–March 1979. Table 4 shows the amount of funds which would have been recouped from the 15 counties with error rates above 4 percent.

Table 4
Misspent Funds Which Could Be Recovered
October 1978–March 1979

County	*Error Rate*	*Amount*
San Francisco	10.7%	$1,801,789
San Diego	9.5	2,970,881
San Mateo	8.5	449,425
Los Angeles	7.4	12,099,465
Contra Costa	7.3	706,615
San Bernardino	7.3	1,153,308
Sonoma	7.2	294,255
San Luis Obispo	6.6	72,997
Alameda	5.9	901,528
Marin	5.7	43,163
Ventura	5.1	142,984
Orange	4.8	226,356
Mendocino	4.5	14,425
Santa Barbara	4.4	25,914
Merced	4.1	6,266
Total		$20,909,371

The amount of funds which would have been recovered from each county is based on the *department's* regulations for applying fiscal sanctions for the period October 1978–March 1979. The regulations provide that a county's fiscal liability is equal to the percent of payment error rate above 4 percent multiplied by the total aid payment dollars expended by the county during the review period. For example, Marin County had a 5.7 percent error rate and expended $2,538,994 during the review period, resulting in a fiscal liability of $43,163 (5.7 percent −4 percent = 1.7 percent × $2,538,994 = $43,163).

Sanctions Needed. Our analysis indicates that fiscal sanctions should be applied against counties with high error rates for the following reasons:

First, *the department's perception of low morale among county welfare department personnel is an inappropriate basis for determining when to apply sanctions against counties.* (Moreover, the Department of Social Services indicates that most county welfare departments eventually received cost-of-living increases in 1978–79. The state General Fund cost for the increases totaled $3,993,331 in 1978–79.)

Second, *fiscal sanctions are needed to encourage counties to control program costs.* If fiscal sanctions are not applied, the federal and state governments will fund almost 95 percent of the payment errors, while the counties, which administer the program, will fund only 5 percent of the erroneous payments. It is important that other fiscal incentives be established to encourage a high level of administrative performance and keep payment errors low.

Third, *sound administrative policy requires that the level of government responsible for determining eligibility and making payments also should be responsible for excessive overpayments and payments to ineligible recipients.*

Fourth, *by authorizing the department to establish a sanction process, it would appear that the Legislature intended that such a mechanism be used when counties have excessive error rates.*

Fifth, *the federal government has proposed regulations which would require all states to reduce their payment error rates to 4 percent by*

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

September 30, 1982. During the next three years, states would be required to reduce their error rates by one-third each year until they reached 4 percent in September 1982. In addition, the federal government issued regulations effective November 26, 1979, which provide for increased federal financial participation for states that have error rates below 4 percent. The state will receive 10 percent of the federal share of money saved for each one-half percentage point that the state's rate is below the 4 percent level.

Sixth, *if fiscal sanctions are applied against counties with high error rates, the state will be able to recover some of the state funds paid by the counties in error.*

Because the Department of Social Services has stated that it will not attempt to recover state funds misspent by the counties in the administration of the AFDC program for the period October 1978–March 1979, we recommend that:

(a) The Legislature reduce the General Fund appropriation in Item 313 (County Welfare Department Administration) by $20,909,371 in order that the state can recover the funds misspent by the counties with error rates in excess of the 4 percent error rate standard for October 1978–March 1979.

(b) The Legislature schedule in Item 313 the General Fund amounts to be reduced from AFDC administration as follows:

(a) AFDC Administration	$47,706,829
(1) Total program	209,169,200
(2) Federal funds	–140,553,000
(3) Amount withheld for purposes of holding counties liable pursuant to Section 37, Chapter 292, Statutes of 1978 and Section 83, Chapter 282, Statutes of 1979	–20,909,371

(c) Budget Act language be added which requires that General Fund support allocated to each county for welfare department administration for 1980–81 be reduced by the amount of the county's fiscal liability pursuant to Section 37, Chapter 292, Statutes of 1978 and Section 83, Chapter 282, Statutes of 1979. Thus, counties with error rates of 4 percent or below would not have their General Fund allocations reduced, while counties with error rates above 4 percent would receive reduced General Fund support. We recommend the following language for Item 313:

"Provided further, that General Funds allocated to each county for administration of the Aid to Families with Dependent Children program for 1980–81 be reduced by the amount of the county's fiscal liability pursuant to Section 37, Chapter 292, Statutes of 1978 and Section 83, Chapter 282, Statutes of 1979."

(d) Legislation be enacted to *require* the application of fiscal sanctions because current law allows, but does not require, the department to apply such sanctions.

(e) The department submit a written plan, prior to budget hearings, for improving the reliability of the quality control error rate data for counties.

Child Support Enforcement Services Provided Nonwelfare Recipients

We recommend that legislation be enacted which allows the state and counties to recover their administrative costs for child support enforcement services provided to nonwelfare recipients.

Background. Federal and state law recognize the obligation of parents to support their children. In order to ensure that parents meet this responsibility, the state has created a Child Support Enforcement Program which is state supervised and locally administered. The district attorney's office in each county, in cooperation with the county welfare department, is responsible for the day-to-day activities related to determining paternity, locating absent parents and obtaining child support payments. These services are available to welfare and nonwelfare parents.

Historically, the administrative costs for this program have been shared by the federal and county governments, with the federal government paying 75 percent and the counties contributing 25 percent. In 1978–79, the state assumed the county share of administrative costs for the welfare and nonwelfare components of this program as a result of the enactment of Chapter 292, Statutes of 1978 (SB 154). Beginning in 1979–80, counties again contribute 25 percent of the costs for child support enforcement services provided *welfare* recipients. However, Chapter 282, Statutes of 1979 (AB 8), requires the state to pay 75 percent of the administrative costs for child support enforcement services provided *nonwelfare* recipients, if federal funds are not available for such purposes.

Federal Funding for Nonwelfare Recipients. Federal funding for the nonwelfare portion of the child support enforcement program ended on October 1, 1978. On January 2, 1980, President Carter signed HR 3091 (PL 96-178), which retroactively provides 75 percent federal funding for the nonwelfare program from October 1978 through March 31, 1980. At this time, it is unclear whether federal funding will be available after March 1980. Pending legislation (HR 4904) would provide permanent federal matching funds for this program. If federal funds are not available in 1980–81, then the state will be required to pay 75 percent of the administrative costs and the counties will pay 25 percent pursuant to the provisions of AB 8.

Recoupment of Nonwelfare Administrative Costs. Federal regulations allow states and counties to recoup administrative costs incurred in providing child support enforcement services to *nonwelfare* parents. These costs include locating the absent nonwelfare parent, establishing paternity of the nonwelfare child, obtaining support obligations, and collecting and distributing support payments.

Federal regulations allow administrative costs to be recovered by deducting the costs for such services from the amount of the support payment prior to the district attorney's office sending the payment to the recipient. In addition, federal regulations provide that large initial administrative costs may be prorated over a period of months. We have been advised by staff of the federal Child Support Enforcement Program that federal regulations do not prohibit a state from charging the absent parent for the administrative costs of this program, instead of deducting the costs from the support payment.

COUNTY ADMINISTRATION OF WELFARE PROGRAMS—Continued

California's Child Support Enforcement Plan. Although federal law allows states to recoup their administrative costs for providing child support services to nonwelfare recipients, California has not taken advantage of this provision in the past. Specifically, the state's child support enforcement plan does not provide for recoupment of administrative costs. In addition, the department reports that only 13 counties charged a fee to nonwelfare recipients for the child support services provided during the quarter ending March 1979. Moreover, discussions with department staff indicate that the fees charged were inadequate to cover the administrative costs in most of these counties.

We asked the Department of Social Services in December 1979 why California did not take advantage of the federal provision to recover the administrative costs related to this program. We were advised that the department opposed recoupment because the administrative costs would be deducted from the child support payment, thereby reducing the amount of money provided to the dependent child. In addition, the department stated that a service fee would deter individuals from requesting child support services.

Nonwelfare Collections and Administrative Costs for 1980–81. The Department of Social Services estimates that child support collections for nonwelfare recipients will total $112,000,000 in 1980–81, as shown in Table 5. Administrative costs for this program are proposed at $17,169,600 for the budget year. Of this amount, the state will pay $12,877,200 (if federal funds are not available) and the counties will pay $4,292,400.

Table 5
Nonwelfare Child Support Enforcement Program
Support Collections and Administrative Costs
1980–81

	Amount
Collections	$112,000,000
Administrative Costs	17,169,600
Federal	—
State	(12,877,200)
County	(4,292,400)

Administrative Costs Should Be Recouped. AB 8 requires the state to pay 75 percent of the administrative costs for child support services provided to nonwelfare recipients. We asked Legislative Counsel if the state and counties could recoup these administrative costs and, if collectible, the method by which they could be recovered under AB 8. Legislative Counsel has issued an opinion that the state and counties do not have the authority under current state law to recover their administrative costs for this program.

Our analysis suggests that legislation should be enacted allowing the state and counties to recoup their administrative costs for child support enforcement services provided to nonwelfare recipients by charging the absent parent for the services. First, federal funding of these administrative costs in the future is uncertain. Second, federal law and regulations permit the state to recover these administrative costs.

Department of Social Services
LOCAL MANDATES

Item 314 from the General Fund — Budget p. HW 162

Requested 1980–81	$7,930,200
Estimated 1979–80	7,261,900
Actual 1978–79	15,521,623
Requested increase $668,300 (+9.2 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item contains the General Fund appropriation to reimburse local governments for executive and legislative mandates. The budget proposes a General Fund appropriation of $7,930,200 for local mandates. Of this amount, $2,488,800 is to reimburse counties for the cost of implementing various executive regulations. The remaining $5,441,400 is to reimburse counties for a state mandated increase in payment levels for recipients of assistance under the Aid to Families with Dependent Children (AFDC) program.

Executive Mandates

The Governor's Budget proposes to reimburse counties for implementing three executive regulations relating to the following programs: Aid to Families with Dependent Children (AFDC), Aid to the Potentially Self-Supporting Blind (APSB), and In-Home Supportive Services (IHSS).

The reimbursements are proposed in accordance with Section 2231 of the Revenue and Taxation Code.

1. *Work-Related Equipment—AFDC Program.* The department has implemented regulations which exclude the entire value of an AFDC recipient's work-related equipment from property value in determining eligibility for benefits. Previous regulations provided a maximum exemption of $200. General Fund costs are estimated to be $9,500 in 1980–81.

2. *Treatment of Loans—AFDC and APSB Programs.* The department has implemented regulations which change the method of treating loans when calculating a recipient's grant level under the AFDC and APSB programs. Under previous regulations, loans made to recipients were counted as income when determining a recipient's grant. The new regulations exclude loan repayments as countable income. The budget estimates expenditures of $4,500 for these regulations in 1980–81.

3. *Regulations for the In-Home Supportive Services Program.* The budget proposes $2,474,800 to reimburse counties for social worker time spent implementing the April 1, 1979 regulations for the In-Home Supportive Services (IHSS) program. Increased levels of service are required by the regulations to (1) assess the need for in-home supportive services for clients residing in shared living situations, (2) teach and demonstrate homemaking skills, and (3) provide protective supervision to IHSS recipi-

LOCAL MANDATES—Continued

ents. The amount budgeted for this mandate is an increase of $326,600, or 17 percent, over estimated expenditures for the current year, based on a 7.9 percent projected caseload increase and a 9 percent cost-of-living adjustment.

Legislative Mandates

Six-Percent Increase in AFDC Grants. Chapter 348, Statutes of 1976, increased the AFDC welfare payment standard by 6 percent effective January 1, 1977, in order to provide a higher standard of living for AFDC recipients. Normally, counties pay a portion of AFDC grant costs. However, because the state mandated the increase, it has an obligation to reimburse counties for their share of the 6 percent increase. The budget proposes General Fund expenditures of $5,441,400 in 1980–81 to reimburse counties for their costs.

Chapter 348 disclaims any obligation on the state's part to reimburse counties for cost-of-living increases in payment standards. As a result, cost-of-living increases do not affect the state's level of reimbursement on a cost-per-case basis.

Health and Welfare Agency

CALIFORNIA HEALTH FACILITIES COMMISSION

Item 315 from the California
Health Facilities Commission
Fund — Budget p. HW 173

Requested 1980–81	$2,100,217
Estimated 1979–80	2,085,758
Actual 1978–79	1,616,016
Requested increase (excluding amount for salary increases) $14,459 (+0.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. Patient Discharge Data. Recommend legislation requiring hospitals to report patient discharge abstract data to the commission.	951

GENERAL PROGRAM STATEMENT

The California Health Facilities Commission collects financial data from health facilities and discloses financial information on the facilities to the public.

The commission was created by Chapter 1242, Statutes of 1971, which also required that a uniform accounting and reporting system be developed for hospitals. Chapter 1171, Statutes of 1974, extended this reporting requirement to long-term care facilities. The purpose of the reporting requirements are to: (1) encourage economy and efficiency in providing health care services, (2) enable public agencies to make informed decisions in purchasing and administering publicly financed health care, (3) encourage organizations which provide health care insurance to take into account financial information provided to the state in establishing reimbursement rates, (4) provide a uniform health data system for use by all state agencies, (5) provide accurate information to improve budgetary planning, (6) identify and disseminate information regarding areas of economy in the provision of health care consistent with quality of care, and (7) create a body of reliable information which will facilitate commission studies that relate to the implementation of cost effectiveness programs.

Chapter 1337, Statutes of 1978, expanded commission responsibilities by requiring the commission to: (1) establish standards of effectiveness for health facilities, and (2) forecast hospital operating and capital expenditures for each of the state's Health Systems Areas and for the state as a whole. Health Systems Agencies must then consider these standards and forecasts in developing their area health plan.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $2,100,217 from the Health Facilities Commission Fund for support of the commission in 1980–81, which is an increase of $14,459, or 0.7 percent, over estimated current year expenditures. This amount will increase by the amount of any salary and staff benefit increases approved in the budget. The primary components of the change are:

(1) discontinuation of long-term care (LTC) facility disclosure reports, for a savings of $136,500,
(2) establishment of three new positions for a Disclosure and Interagency Relations Unit, at a cost of $70,433,
(3) a $55,051 reduction to eliminate three positions not required to continue existing functions, and
(4) $135,577 increase for merit salary and price adjustments.

Discharge Data Needed

We recommend enactment of legislation requiring hospitals to report patient discharge abstract data to the commission.

Patient discharge data includes medical diagnosis and patient status upon discharge from the hospital. The data are collected in abstracts, without patient or physician name. A format for data collection has been established (the Uniform Hospital Discharge Data Set for California), and is used by many hospitals for administrative purposes. The format is endorsed by the California Hospital Association.

Currently, university hospitals are required by Item 346, Budget Act of 1979 to provide the commission with discharge data, and some private hospitals disclose the information voluntarily. The commission staff is currently developing a data processing system for discharge data, which should be completed in 1980–81.

The effectiveness of the commission's hospital disclosure program would be greatly enhanced if hospitals were required to provide the commission with patient discharge abstracts. With this information, the commission would be able to (1) assess the complexity of an individual hospital's patient load, (2) group and compare hospitals by patient load complexity, (3) compare mortality rates for various diagnoses among different hospitals, and (4) compare gross operating costs among hospitals of similar patient load complexity. Such information will particularly aid HSAs and other agencies in their health planning activities.

Given the state's substantial financial interest in promoting efficiency in the provision of health care services, we recommend that legislation be introduced amending the Health Facilities Disclosure Act to require all hospitals to disclose patient discharge abstract data. Because the data is in abstract form, supplying it to the commission would not violate confidentiality requirements.

Disclosure and Interagency Relations Unit

We recommend approval.

The budget proposes three new positions to establish a Disclosure and Interagency Relations Unit, at a cost of $70,433 in 1980–81. The unit will conduct activities which will:

1. improve communication between the commission and users of the commission's data—primarily the HSAs, the Office of Statewide Health Planning and Development (OSHPD), and the Department of Health Services (DHS);
2. improve the effectiveness of the commission's disclosure programs;
3. increase the number of research papers produced by the commission staff in support of their hospital disclosure program;
4. increase data accessibility and reduce duplicative reporting requirements; and
5. improve the structure of auditing and investigating activities among the commission, DHS, and OSHPD.

The commission's current disclosure programs do not provide sufficient technical assistance to the users of the information. This is particularly true in the case of the Health Systems Agencies, whose members generally lack the technical expertise required to interpret the data provided in the hospital disclosure reports. Our analysis indicates that the proposed unit is necessary if the commission is to increase the effectiveness of its disclosure programs. We recommend approval of the proposal.

Discontinuation of LTC Facility Reports Processing

We recommend approval.

The commission proposes to discontinue its collection of financial disclosure reports from LTC facilities, and instead to utilize the Medi-Cal cost report for the commission's disclosure activities, for a savings of $136,500.

The commission's LTC facility accounting, reporting, and disclosure program is currently staffed by 10 positions at a cost of $431,409. The program consists of five elements: (1) reports processing, (2) disclosure, (3) accounting systems, (4) data processing support, and (5) data processing operations. The commission proposes specifically to:

1. eliminate the reports processing element. The commission will in-

stead utilize the Medi-Cal cost reports and will reimburse the Department of Health Services (DHS) in the amount of $55,386 for the commission's share of the departments reports processing costs. The commission will realize a cost savings of $78,386 through the elimination of three accounting and one clerical position and printing expenses.

2. share expenses with the department for the commission's data processing system support and operations. The commission will automate the Medi-Cal cost report on LTC facilities and will use the data to continue its existing disclosure function. The department will reimburse the commission in the amount of $113,500.

Implementing this arrangement will allow the commission to continue its LTC facility disclosure function and to reduce program costs to $294,909 for a savings of $136,500. We have reviewed the proposed procedure revisions and recommend their approval.

Review of Commission Functions

The Supplemental Report of the Budget Act of 1979, requires the Legislative Analyst to review the functions of the commission to determine which, if any, of its functions should continue, and to report his findings to the Legislature in the analysis of the Budget Bill of 1980.

The commission has three primary functions: (1) hospital accounting, reporting, and disclosure, (2) long-term care facility accounting, reporting, and disclosure, and (3) research.

Hospital Accounting, Reporting, and Disclosure

California hospitals file an annual report with the commission containing:

1. a balance sheet detailing the hospital's assets, liabilities, and net worth at the end of the hospital's last fiscal year;
2. a statement of the hospital's income, expenses, and operating surplus or deficit for the past fiscal year;
3. a statement detailing the source and application of funds expended during the past fiscal year;
4. data which allocates the costs of non-revenue-producing departments of the hospital to the other non-revenue and revenue-producing centers which they serve; and
5. data which identifies costs related to categories, types, or units of health care services.

The reports filed by the hospitals are based on a uniform accounting and reporting system required by commission regulations. The commission has collected the disclosure reports for four years.

The commission's hospital disclosure program consists of two activities: (1) disclosure of hospital financial data to specific public and private organizations, both on an ongoing basis and in response to special requests, and (2) disclosure to the general public. The information is disclosed in a variety of different formats, including individual hospital reports, the *Inventory of Financial and Statistical Information, Hospital Data for Health Systems Agencies, Economic Standards for Health Planning in California,* special research reports, and, for some users, the commission's comprehensive data base itself on computer tape.

The commission discloses hospital cost data to a large number of organizations. Foremost among these are the state's 14 Health Systems Agencies (HSAs), which receive all of the commission's regular publications on an ongoing basis. The HSAs rely primarily on the *Hospital Data for Health Systems Agencies, the Economic Standards for Health Planning in California,* and the individual hospital reports. These documents are the HSAs' primary source of quantitative information used for their ongoing health planning activities.

Several units in the Department of Health Services make use of the commission hospital data. The Audits and Investigations Division makes use of the individual hospital reports and the comprehensive data base to supplement the Medi-Cal cost report. The division uses the commission data because (1) the Medi-Cal cost report is not automated, (2) cost center identified in the Medi-Cal cost reports are not uniform, and (3) the commission's data reports more cost centers than the Medi-Cal report. The Medical Care Standards Division and the Office of Planning and Evaluation also make use of the commission's hospital data.

Other administrative agencies that use the commission's hospital data include the Division of Health Planning in the Office of Statewide Health Planning and Development, the Health and Welfare Agency Secretary's Office, the Attorney General's Office, the State Controller, and county governments. Several legislative bodies also make use of the commission's data.

Nongovernmental users of the commission have included individual hospitals, the California Hospital Association, the Schools of Public Health at the University of California, health insurers, and certain health professional labor organizations. The commission disseminates data on hospital costs to consumers of health care services as well as to specific organizations. These activities consist primarily of press releases which disclose data from selected research projects conducted by the commission staff.

Our recommendations to the Legislature concerning this function will be made in a supplemental analysis to be released prior to budget hearings. Our recommendations will be based on the following criteria:

1. The effectiveness of the commission's hospital data disclosure activities in promoting economy and efficiency in the provision of hospital services;
2. The cost of the disclosure program; and
3. The availability of alternative data sources and the potential to eliminate duplication of reporting and disclosure activities.

LTC Facility Accounting, Reporting, and Disclosure

Chapter 1171, extended hospital accounting, reporting, and disclosure requirements to long-term care (LTC) facilities. The commission has completed the collection and coding of one year's LTC facility disclosure reports.

Our recommendations to the Legislature concerning this function will be based on the following criteria:

1. The potential of disclosure to promote efficiency and economy in the provision of LTC facility services;

2. The costs of these disclosure activities; and

3. The availability of alternative data sources and the potential to eliminate duplication of reporting and disclosure activities.

Research

The commission's research activities consist of:

1. Developing the *Economic Standards for Health Planning in California*; and

2. Producing special reports, or "white papers", on selected topics concerning the hospital industry. Both of these activities support the two reporting and disclosure programs.